

hipages Group

H1 FY21 Result

23 February 2021



Australia's largest online tradie platform and SaaS provider connecting tradies with residential and commercial consumers to simplify property improvement¹



Agenda

1. H1 FY21 Result Overview
2. About hipages
3. H1 FY21 Financial Summary
4. Strategy
5. FY21 Outlook



H1 FY21 Overview



ROBY SHARON-ZIPSER
Chief Executive Officer &
Co-Founder

H1 FY21 Overview

REVENUE

\$4.6m



MRR¹

Up 31%

\$25.3m



**Recurring
revenue²**

Up 26%

\$1,483



**Total Tradie
ARPU**

Up 31%

PROFITABILITY

87%



**Gross
Margin³** (H1 FY20: 77%)

\$6.9m



EBITDA⁴ H1 FY20: (\$0.1m)
EBITDA to OCF Conversion of 98%

\$1.5m



NPAT⁵
H1 FY20: (\$5.3m)

KEY DRIVERS

28.8k



**Subscription
tradies**

Up 12%

0.8m



**Job
volumes**

Up 14%

64%



**Jobs from
repeat
consumers** (H1 FY20: 57%)

1. Monthly Recurring Revenue @ Dec 2020 (includes GST).

2. H1 FY21 Statutory revenue is the same as Pro Forma revenue. H1 FY20 Statutory revenue includes discontinued operations.

3. Gross margin includes statutory total revenue less cost of sales (consumer and tradie SEM spend and merchant fees).

4. Pro Forma EBITDA before significant items

5. Pro Forma NPAT.

H1 FY21 Business Highlights



Strong H1 FY21 performance across all key metrics with no adverse impact from COVID-19



Subscription-only model and enhanced subscription product offering drive MRR growth



Structural shift to online and flexible work arrangements contribute to buoyant home improvement market

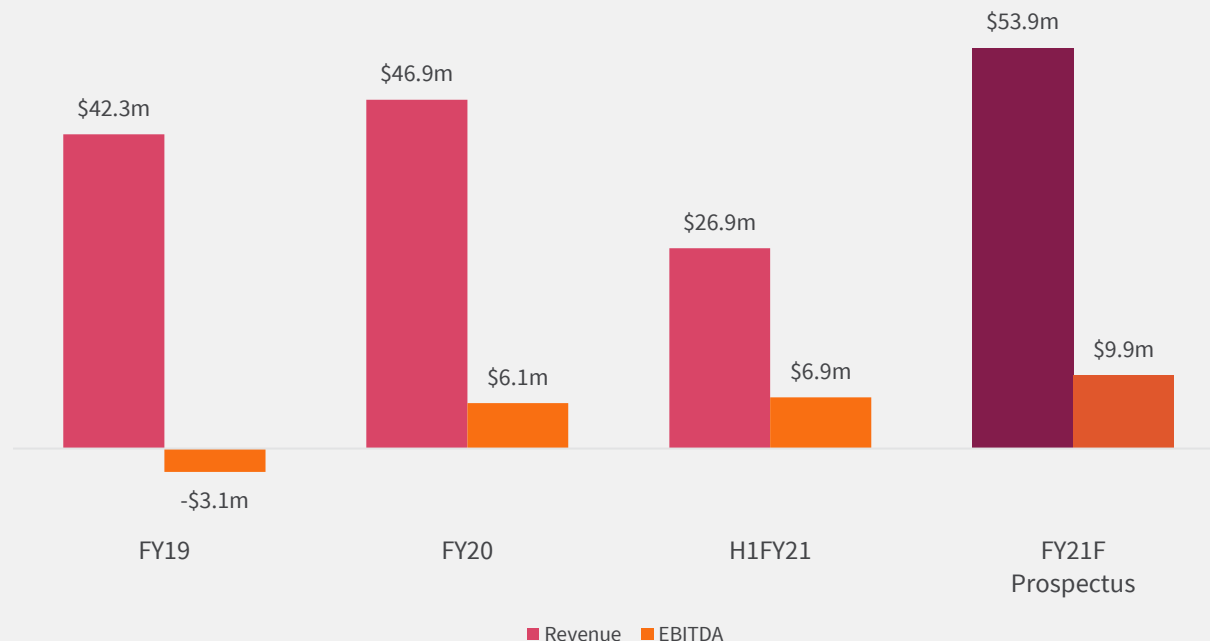


Greater brand awareness driving flywheel effect, increasing jobs from repeat consumers and unpaid channels



Strong financial position with cash and funds on deposit of \$31.5m and no debt

Delivering sustainable profit growth¹



- Revenue growth and cost efficiencies drive positive operating leverage as hipages becomes profitable and margins expand
- H1 FY21 revenue tracking ahead of FY21 Prospectus forecast; total revenue growth of 15% and recurring revenue growth of 20%

About hipages



ROBY SHARON-ZIPSER
Chief Executive Officer &
Co-Founder

Consumer experience – Selecting a tradie

Connected with
up to 3 tradies



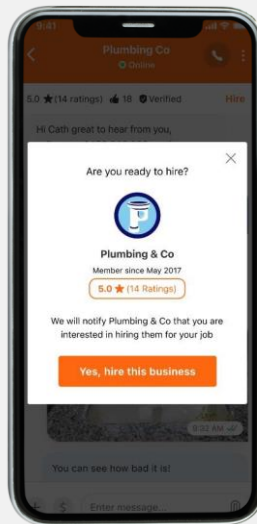
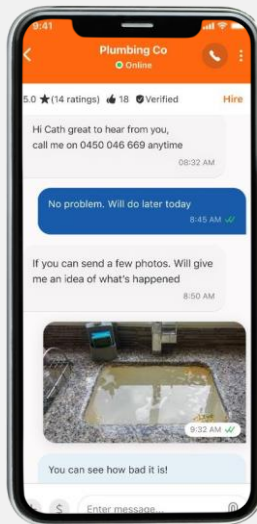
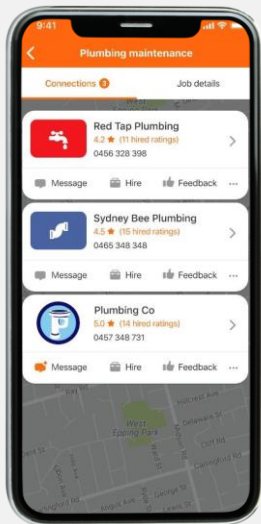
View profile and
recommendations



Communicate
directly with tradie



Select the best
tradie for the job



TIMELY RESPONSE

I received immediate responses from 3 painters who all attended to the quotation process in a timely and professional manner. The work is scheduled for commencement next week and as a first time user I am confident of a successful Completion.



GREAT SERVICE FROM EXPERIENCED TRADIES

Arrived on time, top quality work and fair price for the job. This is the best way to find the right trades person who supplies top quality work. Price was fair and reasonable.



Tradie Experience – Message centre & payments

Message
centre



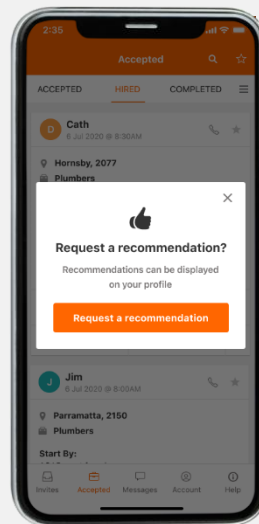
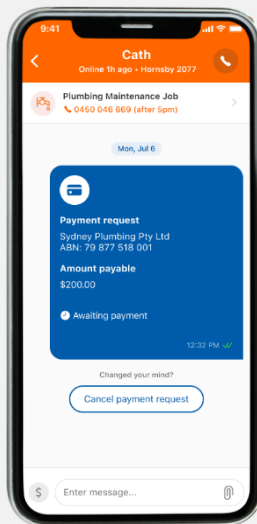
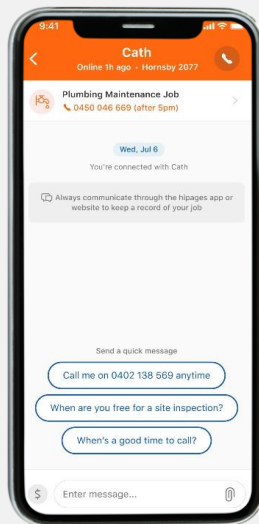
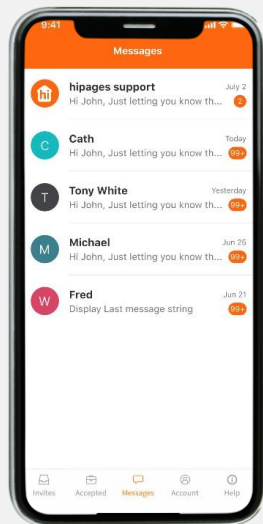
Streamlined
communication
with customer



Payment
functionality



Request for
feedback



Hipages is a great service. Would highly recommend. Has helped me enormously grow my business. THANK YOU hipages team.



Hipages has provided me with over \$15K worth of business in 8 months and that's just from the jobs listed. I'm positive that this amount will triple through follow up work and referrals. Great model great service. 5 stars.



Proprietary algorithm matches consumers & tradies



Distance to
the job



Recent tradie
activity



Customer
tier



Tradie
tenure



Optimised to provide
up to 3 contacts in the
first invitation batch

Australia's largest online tradie platform



GMV¹ ~\$1.9bn



**Large and growing
addressable market**



**3.3m unique
users have
posted jobs**



**Strong brand
awareness of 56%**



**Flywheel effect of
double-sided
marketplace**



**Subscription-only
product with 94%
recurring revenue**

Macro trends driving addressable market growth

Growing addressable market

- **9.9m** Australian households¹
- **257k** trades businesses, employing **1.1m** tradies²
- **~\$83bn** spent on home improvement services³

Growth in tradie ad spend

- **\$976m** spent by tradies on advertising⁴
- **8.8% pa** projected growth in tradie ad spend²
- **60%** of tradie ad budget spent **online**²

Highest ROI from lead sourcing²

- **12%** of tradie ad spend on **lead sourcing**
- **\$13.80** tradie ROI from lead sourcing

1. Catalogue 3236.0 – Household and Family Projections, Australia, 2016-2041 (Australian Bureau of Statistics, March 2019)
2. Residential Trades Market (PublicisSapient, September 2020); hipages Group Prospectus 2020, pp.28-31
3. Expected spend on home improvement services in 2020. hipages Group Prospectus 2020, p.29
4. Expected spend by tradies on advertising in 2020. hipages Group Prospectus 2020, p.29

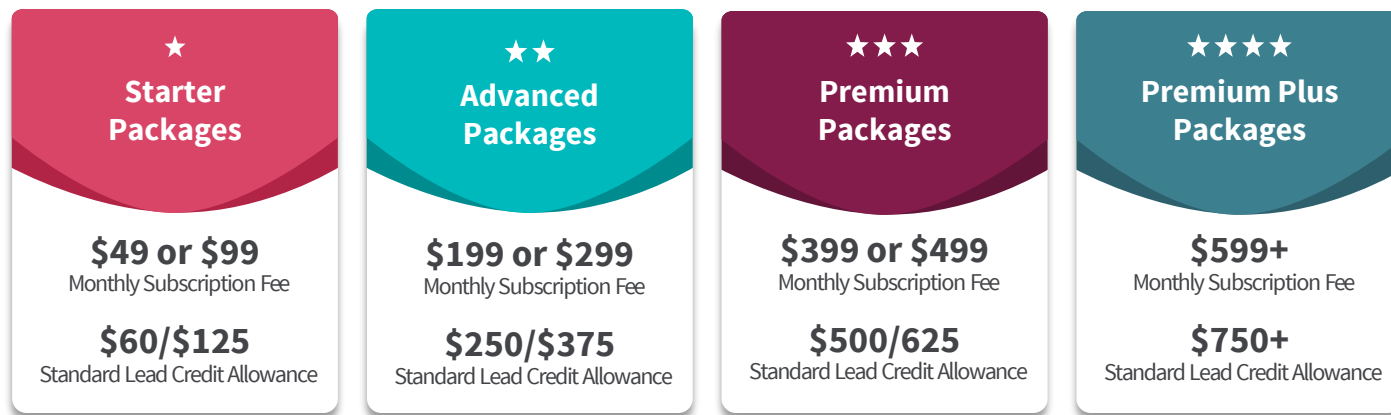
Subscription-only model drives ARPU growth of 31%

Pre November 2019

- **Transactional product** – small annual listing fee and tradie would pay each time they claimed a job lead
- **Subscription product** - monthly subscription product with contract terms of 6-12 months

Post November 2019

- Moved to a **subscription-only** product offering for new tradies
- New version of subscription package with new, improved features
- Removed lower price tier (< \$49)
- Automatic 12-month renewal

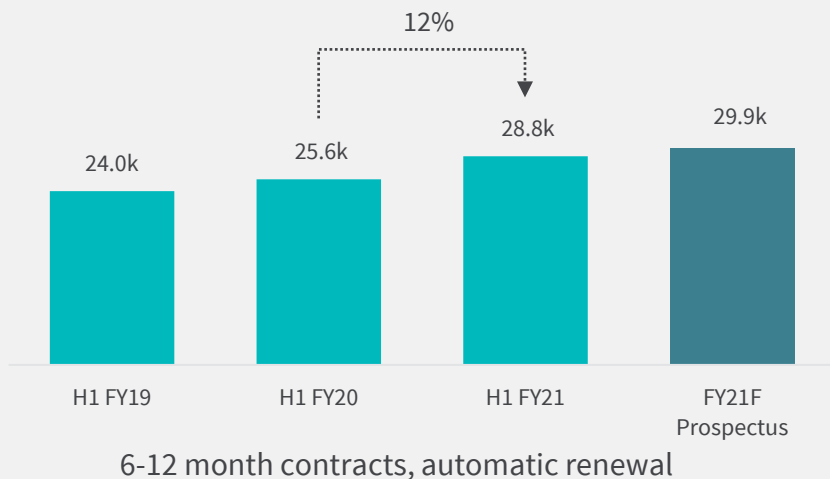


New subscribers joining platform at higher price points and existing subscribers upgrading to higher price tiers

Scalable platform connecting tradies and consumers

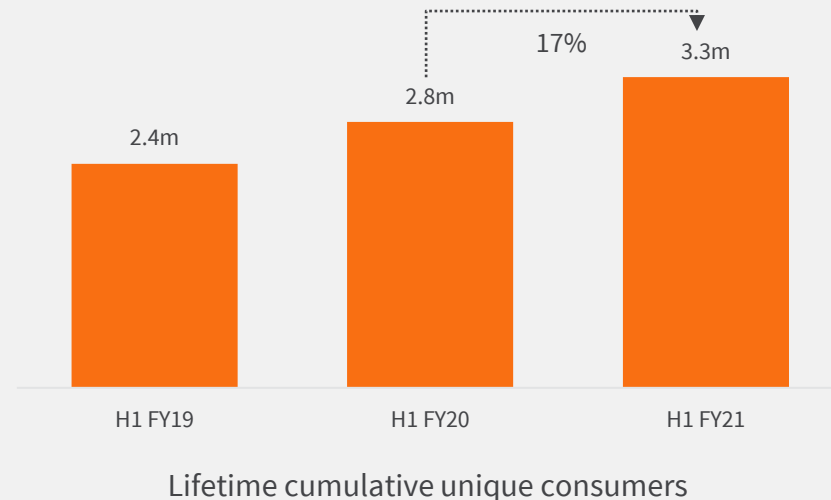
Subscription tradies

Subscription tradies increased from 58% in H1FY19 to 84% of customer base in H1FY20



Users

3.3m unique users posted a job to hipages platform as at H1 FY21



Expanding job channels via key partnerships

- Effective way to source new jobs, attract tradies and expand the hipages ecosystem
- Broadens customer base beyond homeowner category
- Contracted partnerships across retail, real estate and government sectors
- Continue to explore further partnership opportunities



Education

2019



2018



2013



CONCIERGE.

2016

Building brand awareness, less reliance on paid channels

- Jobs from unpaid channels up 33% on pcp
- Brand awareness increased to 56% from 27% in July 2018
- Platinum sponsor of *The Block*
- Sponsorship of *Better Homes & Gardens* starting in March 2021
- In Jan 2021, launched brand campaign targeting small trade businesses
- Reinvesting SEM efficiencies in tradie acquisition, jobs from paid channels now only 21% of total jobs



H1 FY21 Financial Summary



MELISSA FAHEY
Chief Finance &
Operations Officer

H1 FY21 Financial Highlights

Strong revenue growth

- **MRR¹** up 31% underpinning **recurring revenue** growth of 26% on a pro forma basis
- 31% **Total Tradie ARPU** growth as increase % higher value subscribers
- Statutory **Total revenue²** of \$26.9m up 18% on a pro forma basis

Positive operating leverage

- **Gross margin³** of 87%
- **Opex** reduction net of reinvestment in growth
- **Pro forma EBITDA⁴** to **OCF conversion** of 98%

Positive EBITDA and NPAT

- **Pro forma EBITDA⁴** of \$6.9m and **Pro forma Operating Cash flow** of \$6.7m
- **Profit margins** continue to expand
- **Pro forma Net Profit after Tax⁵** of \$1.5m up from (\$5.3m)

Strong balance sheet with closing cash and funds on deposit of \$31.5m and no debt

1. Monthly recurring revenue @ Dec 2020 (includes GST).

2. H1 FY21 Statutory revenue is the same as Pro Forma revenue. H1 FY20 Statutory revenue includes discontinued operations.

3. Gross margin includes statutory total revenue less cost of sales (consumer and tradie SEM spend and merchant fees).

4. Pro Forma EBITDA before Significant Items.

5. Pro Forma Net Profit after Tax. Refer to Slide 32 for reconciliation to Statutory Profit.

H1 FY21 Result Summary

Strong performance across all key metrics

PRO FORMA FINANCIAL AND OPERATING METRICS

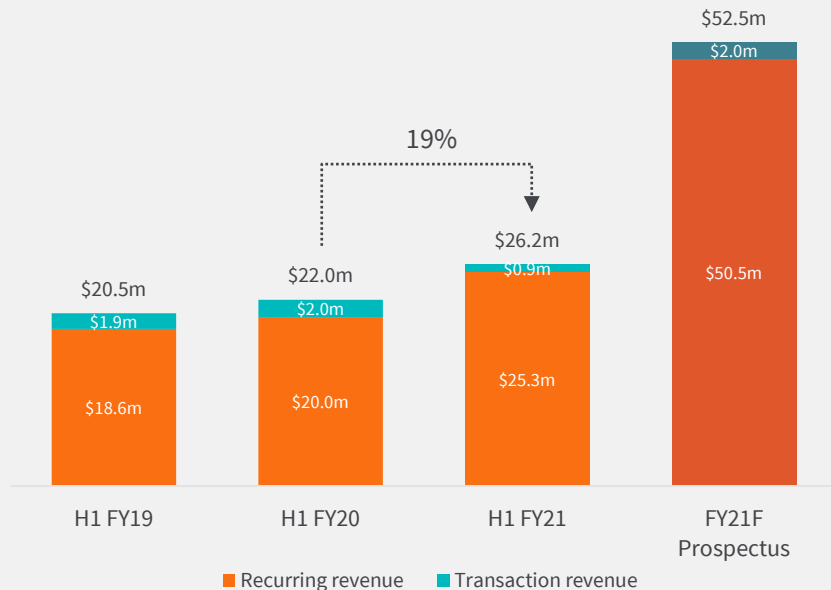
	H1 FY21	H1 FY20	Var (%)	FY21f	Var (%) ⁴
Financial Summary					
Total revenue (\$m) ¹	26.9	22.8	18%	53.9	15%
Recurring revenue (\$m) ¹	25.3	20.0	26%	50.5	20%
Recurring Revenue % total	94%	88%	6%	94%	
Operating expenses (\$m)	(20.3)	(22.9)	(11%)	44.0	8%
EBITDA (\$m) ²	6.9	(0.1)	7,179%	9.9	62%
EBITDA margin ²	26%	0%		18%	
NPAT (\$m)	1.5	(5.3)	128%	(1.8)	
Key Operational Metrics					
MRR (\$m) ³	4.6	3.5	31%	5.0	21%
Job volume (m)	0.8	0.7	14%	1.5	10%
Subscription tradies (000s)	29	26	12%	30.0	7%
Total Tradie ARPU (\$)	1,483	1,130	31%	1,449	21%

- 31% growth in MRR @ Dec 2020 driving recurring revenue growth of 26%
- Total revenue growth of 18%; 94% recurring
- H1 FY21 revenue tracking ahead of FY21 Prospectus forecast; total revenue growth of 15% and recurring revenue growth of 20%
- Strong revenue growth driven by;
 - Subscription tradies up 12% on pcip
 - Total Tradie ARPU up 31% on pcip
 - Jobs growth of 14% on pcip
- Gross margin⁵ of 87% (H1 FY 20 77%)
- EBITDA² of \$6.9m (H1 FY20: (\$0.1m))
- EBITDA margin² of 26% (H1 FY20: 0%)
- NPAT of \$1.5m vs loss (\$5.3m) in H1 FY20

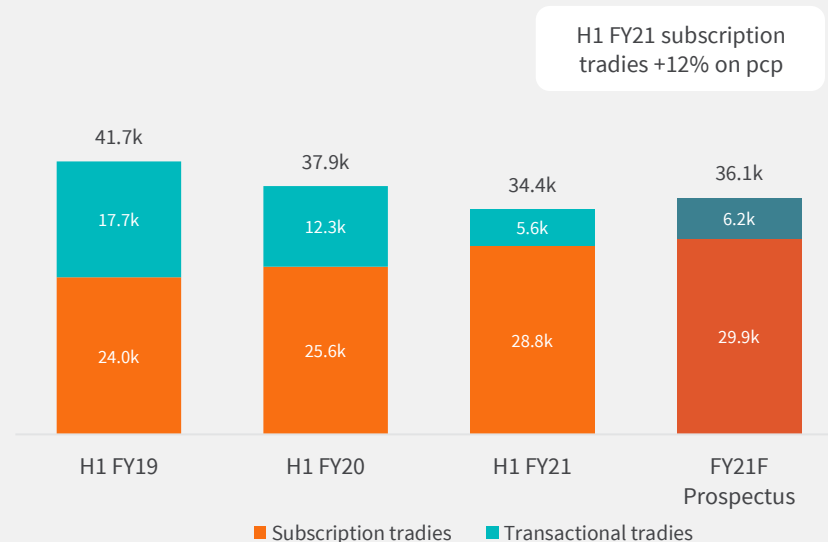
Business model transformation driving revenue growth

Operating revenue up 19% as drive growth in higher value subscription tradies

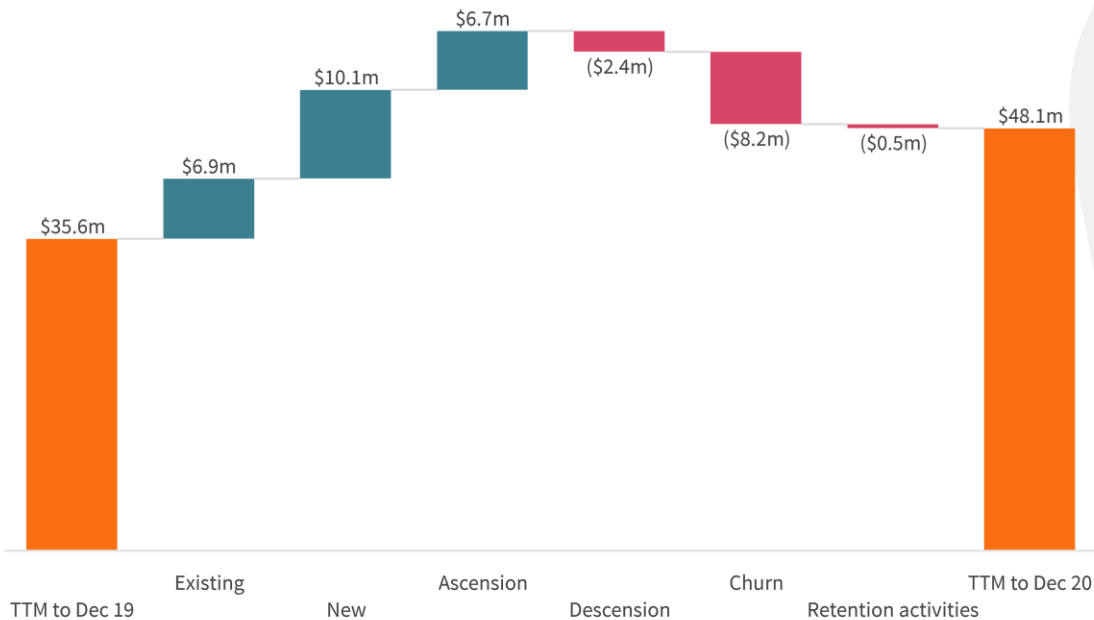
Total Operating Revenue¹



Total Tradies



TTM² Subscription revenue bridge

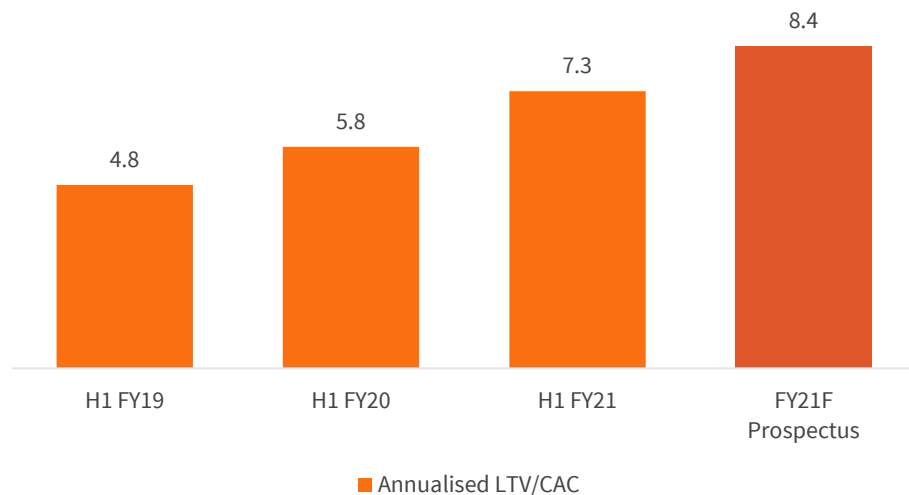


- H1 FY21 subscription revenue growth driven by;
 - new subscribers coming onto the platform
 - net ascensions as tradies moved to higher tier subscription products
 - offset by churn and retention initiatives
- Total monthly churn 3.5%¹, below FY 21 prospectus forecast of 3.8%.
- Targeting higher value tradies with lower churn:-
 - 2.6% for tradies on packages >\$129 pm
 - 1.8% for tradies on packages >\$299 pm
- Tradies on packages of \$129 and above represent 41% of tradie base but 75% of H1 FY21 closing MRR
- Initiatives in place to continue to target medium and larger size tradies

1. Churn is defined as tradie counter churn and is calculated as the total churned tradies divided by the average number of tradies over the period.
 2. Trailing twelve months (TTM)

Lifetime Transaction Value / Customer Acquisition Costs¹

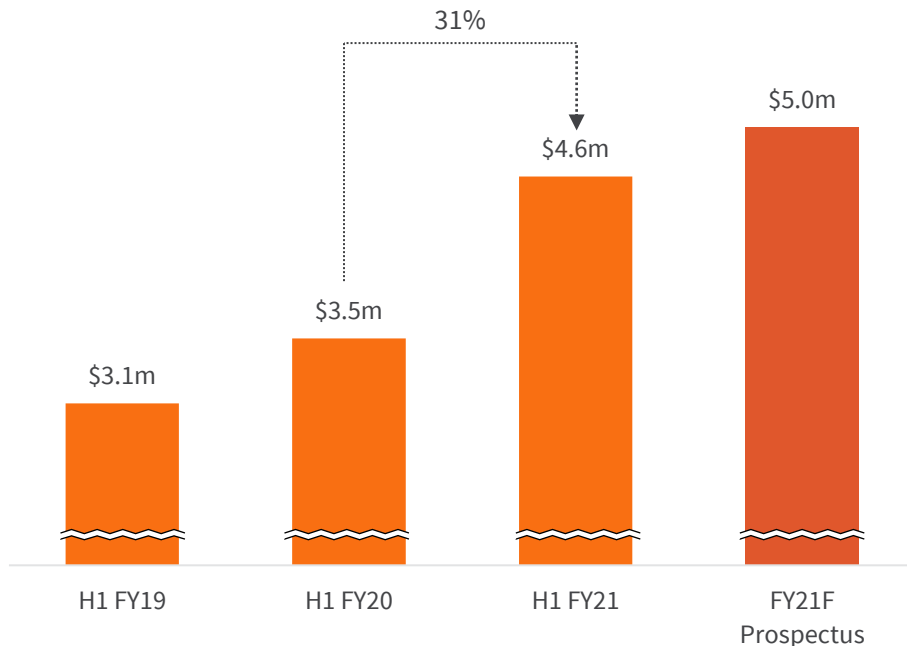
Continued improvement in LTV / CAC on a normalised basis in H1 FY21



- LTV vs CAC ratio increasing as a result of improved unit economics
- H1 FY 21 LTV / CAC of 7.3 is deflated due to December being a seasonal low month for Tradie registrations which results in an inflated CAC.

Strong growth in MRR¹

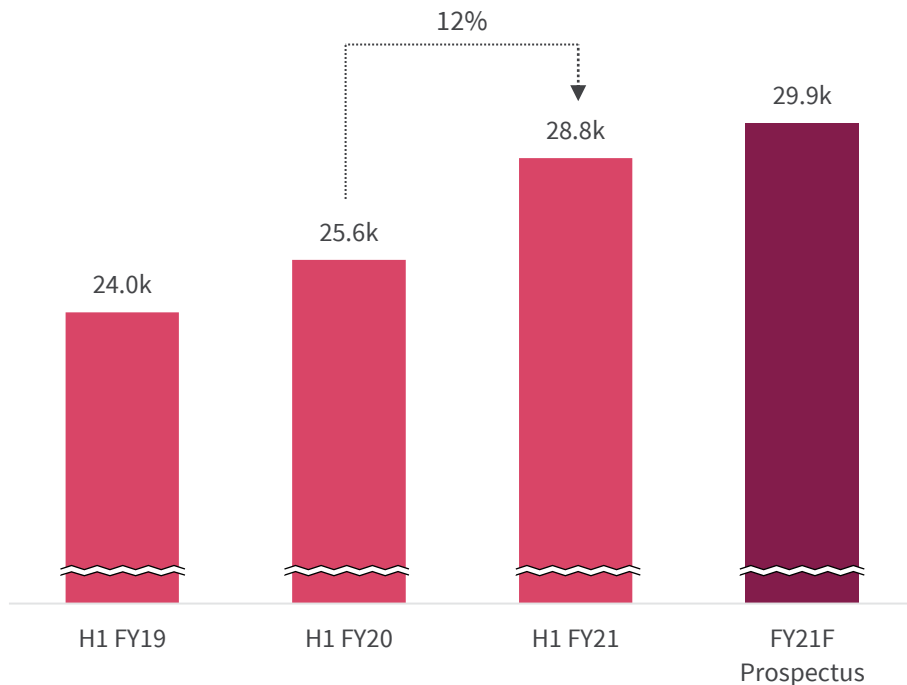
Acceleration in MRR as more tradies subscribe and ascend to higher price points



- MRR¹ of \$4.6m @ December 2020, up 31% vs pcg underpins strong recurring revenue growth
- Driven by growth in subscription tradies, jobs and APRU
- Flywheel effect of double-sided marketplace
- FY21 Prospectus MRR forecast @ June 2021 of \$5m, up 21%

Subscription tradie base continues to expand

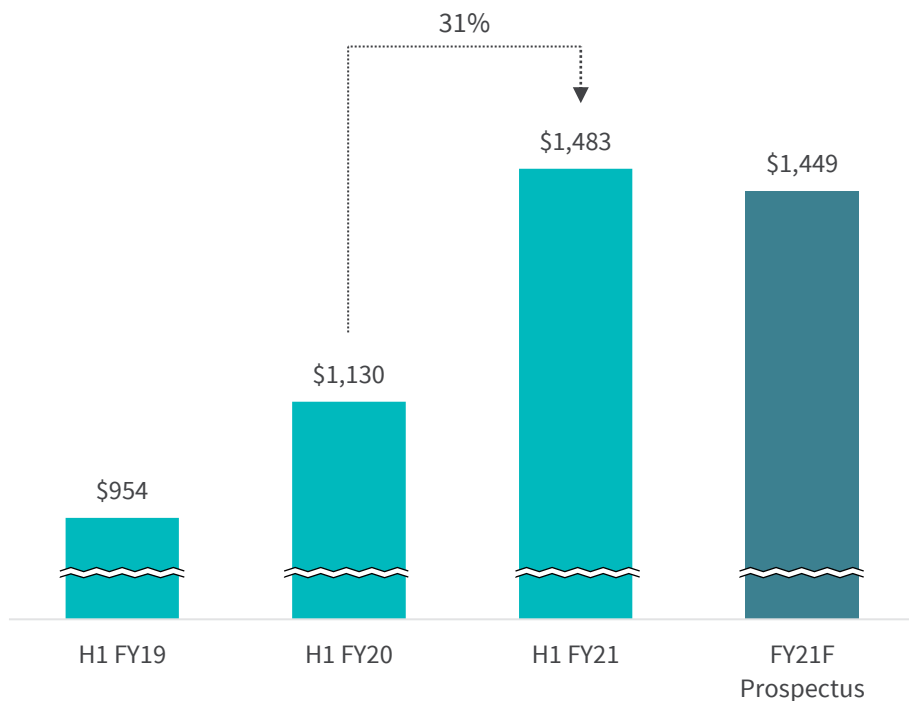
Improvement in subscription product offering drives tradie engagement at higher price points



- Total subscription tradies up 12% to 28.8K in H1 FY 21 on pcg
- FY21 prospectus forecast growth of 7% to 30k
- Marketing initiatives in place to further accelerate the number of tradie subscriptions

Subscription model drives growth in Total Tradie ARPU¹

Unlocking value as tradies opt for higher tier packages

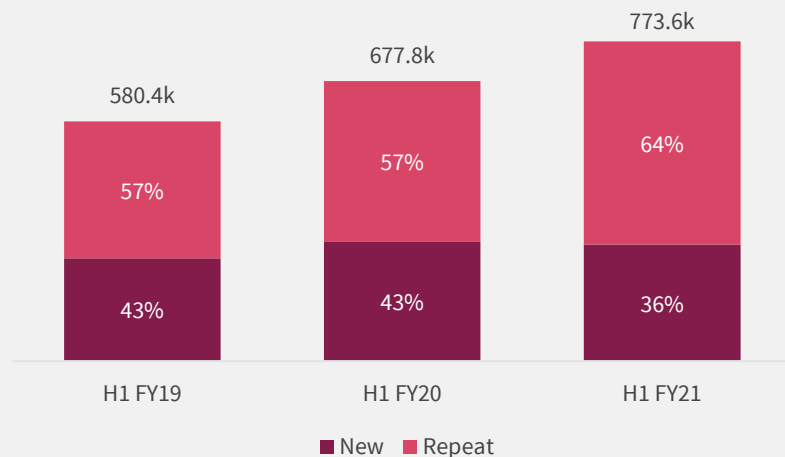


- Total Tradie ARPU¹ of \$1,483 up 31% on pcip
- Driven by
 - Move to subscription only product
 - New and improve features
 - New subscribers joining at higher price points
 - Existing subscribers upgrading to higher price tiers
- FY21 prospectus ARPU forecast of \$1,449, 21% growth

Building consumer trust and brand awareness

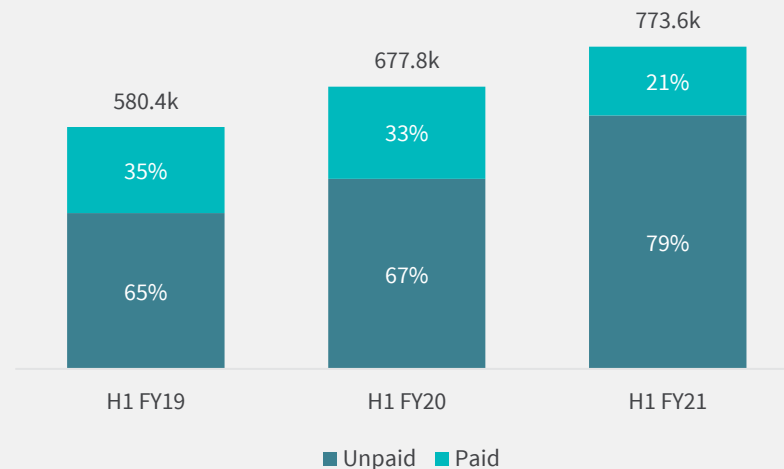
14% increase in job volumes with strong growth in jobs from repeat consumers¹ and unpaid channels

64% of jobs from repeat consumers



27% increase in jobs from repeat consumers¹

79% of jobs from unpaid channels



33% increase in jobs from unpaid channels

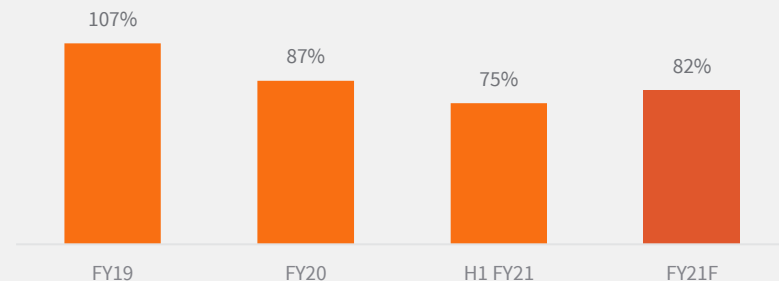
Pro Forma Operating Expenses

Opex continues to fall as % revenue highlighting positive operating leverage

- **Expenses as % of revenue** were 75% of revenue in H1 FY21; largest declines in marketing and operations and admin
- **Marketing**
 - Ongoing reduction in SEM spend as shift from paid to unpaid channels
 - Increase in brand awareness and effectiveness of organic channels
- **Technology development**
 - Employment costs increased \$0.8m, 22% on pcp to support growth with \$0.6m capitalised
 - 81% of technology development costs were capitalised (amortised over 3 years)

Expenses as a % of revenue ¹	FY19	FY20	H1 FY21	FY21F
Operations and administration	39%	34%	34%	35%
Technology Development	4%	3%	3%	3%
Marketing	51%	39%	29%	33%
Sales	13%	11%	9%	10%
Total	107%	87%	75%	82%

Ongoing reduction in total expenses as % revenue



H1 FY21 Pro Forma Financial Summary

Positive operating leverage as business scales

	H1FY21	H1FY20	\$ Var	% Var
Recurring	25,288	19,993	5,295	26%
Transactional	924	2,026	(1,101)	(54%)
Operating Revenue¹	26,212	22,019	4,194	19%
Other ¹	730	750	(20)	(3%)
Total Revenue¹	26,942	22,768	4,174	18%
Sales	(2,393)	(2,695)	302	(11%)
Marketing	(7,928)	(10,741)	2,812	(26%)
Technology and Development	(896)	(840)	(56)	7%
Operations and Administration	(9,044)	(8,586)	(459)	5%
Total Operating Expenses	(20,262)	(22,861)	2,600	(11%)
Other Income and Expenses	198	(4)	203	4,945%
EBITDA before significant items	6,879	(97)	6,976	7,179%
Significant Items	(565)	(32)	(533)	1,675%
EBITDA after significant items	6,314	(129)	6,443	4,996%
Depreciation & Amortization	(4,337)	(4,429)	92	2%
EBIT	1,977	(4,558)	6,535	143%
Net Finance Costs	(467)	(762)	295	39%
NPAT	1,511	(5,319)	6,830	128%

- Strong revenue growth continued into H1 FY21; recurring revenue growth of 26%, total revenue up 18% on pcg
- 94% of total revenue was recurring
- Gross margin² of 87% (H1 FY20: 77%)
- Total operating expenses 11% lower on pcg due to sales and marketing efficiencies net of investment in growth
- EBITDA before significant items of \$6.9m vs (\$0.1m) loss in H1 FY 20
- EBITDA margin of 26% vs 0% in H1 FY20
- NPAT of \$1.5m vs net loss of (\$5.3m) in H1 FY20

1. H1 FY21 Statutory revenue is the same as Pro Forma revenue.

2. Gross margin includes statutory total revenue less cost of sales (consumer and tradie SEM spend and merchant fees).

H1 FY21 Cash Flow

\$'000s	Pro forma ¹ H1FY21	Statutory H1FY21	Statutory H1FY20	\$ Var
Receipts from customers (inclusive of GST)	29,528	29,528	25,722	3,806
Payments to suppliers and employees (inclusive of GST)	(22,970)	(22,970)	(24,333)	1,363
Transaction costs in relation to secondary raise	-	(4,616)	-	(4,616)
Interest received	188	188	201	(13)
Interest paid	(31)	(1,088)	(899)	(189)
Net cash flows from operating activities	6,715	1,042	691	351
Payments for property, plant and equipment	(310)	(310)	(77)	(233)
Payments for intangible assets	(3,619)	(3,619)	(3,070)	(549)
Proceeds from funds on deposit	-	-	1,017	(1,017)
Proceeds from divestments	70	70	-	70
Net cash flows used in investing activities	(3,859)	(3,859)	(2,130)	(1,729)
Proceeds from issue of shares	-	40,300	-	40,300
Proceeds from borrowings	-	3,000	3,500	(500)
Repayment of borrowings	-	(15,978)	(470)	(15,508)
Payment of principle portion of lease liabilities	(1,412)	(1,412)	(1,734)	322
Payment of transaction costs on issue of new shares	-	(2,704)	-	(2,704)
Net cash flows from financing activities	(1,412)	23,206	1,296	21,910
Net increase / (decrease) in cash and cash equivalents	1,444	20,389	(143)	20,532
Cash and cash equivalents at end of the period		29,211	5,144	24,067

- Strong H1 FY 21 Pro Forma operating cashflow (“OCF”) of \$6.7m with EBITDA to OCF conversion of 98%
- Receipts from customers of \$29.5m up 15% on Statutory basis and 18% on Pro Forma basis, excluding discontinued businesses
- Strong H1 FY 21 net statutory cash inflow of \$20.4m driven by:
 - IPO proceeds of \$40.3m used pay \$2.7m of IPO offer costs in relation to primary raise and \$16.0m in repayment of borrowings
 - Positive statutory operating cashflow of \$1m after one off IPO transaction costs in relation to secondary raise of \$4.6m and non-recurring interest costs of \$1.1m in relation to debt retired on IPO

H1 FY21 Statutory Balance Sheet

\$'000s	31 Dec 20	30 June 20	\$ Var
Cash and cash equivalents	29,211	8,822	20,389
Funds on deposit	2,271	2,271	0
Trade and other receivables	1,173	1,426	(253)
Other assets	1,705	1,086	619
Total current assets	34,360	13,605	20,755
Other assets	709	922	(213)
Financial assets at fair value through other comprehensive income	800	800	0
Property, plant and equipment	2,116	2,323	(207)
Right-of-use asset	5,517	6,979	(1,462)
Intangible assets	11,325	10,726	599
Total non-current assets	20,467	21,750	(1,283)
Total assets	54,827	35,355	19,472
Trade and other payables	6,467	6,720	(253)
Contract liabilities	3,764	3,510	254
Borrowings	24	1,795	(1,771)
Provisions	1,262	1,547	(285)
Lease liabilities	2,299	2,283	16
Total current liabilities	13,816	15,855	(2,039)
Borrowings	-	12,118	(12,118)
Provisions	453	311	142
Lease liabilities	5,658	7,384	(1,726)
Other	-	307	(307)
Total non-current liabilities	6,111	20,120	(14,009)
Total liabilities	19,927	35,975	(16,048)
Net assets	34,900	(620)	35,520
Issued capital	315,704	48,087	267,617
Reserves	(221,555)	4,017	(225,572)
Accumulated losses	(59,249)	(52,724)	(6,525)
Total equity	34,900	(620)	35,520

- Strong H1 FY 21 total equity position of \$34.9m, an increase of \$35.5m driven by:
 - Increase in total assets of \$19.5m primarily due to increased in cash balance
 - Reduction in total liabilities of \$16.0m due to repayment of borrowings, no debt
- Strong cash balance of \$29.2m providing financial flexibility to execute the strategic plan

Profit Reconciliation

	\$'000s
Reported EBITDA (from continuing operations)	1,407
Transaction costs related to IPO	4,780
Non-recurring remuneration	565
Net loss on conversion of convertible notes	472
Public company costs	(345)
Pro forma EBITDA before significant items	6,879

	\$'000s
Reported NPAT (from continuing operations)	(5,856)
Non-recurring interest and gain / losses on debt repaid on IPO	2,932
Public company costs	(345)
Transaction costs related to IPO	4,780
Pro forma NPAT	1,511

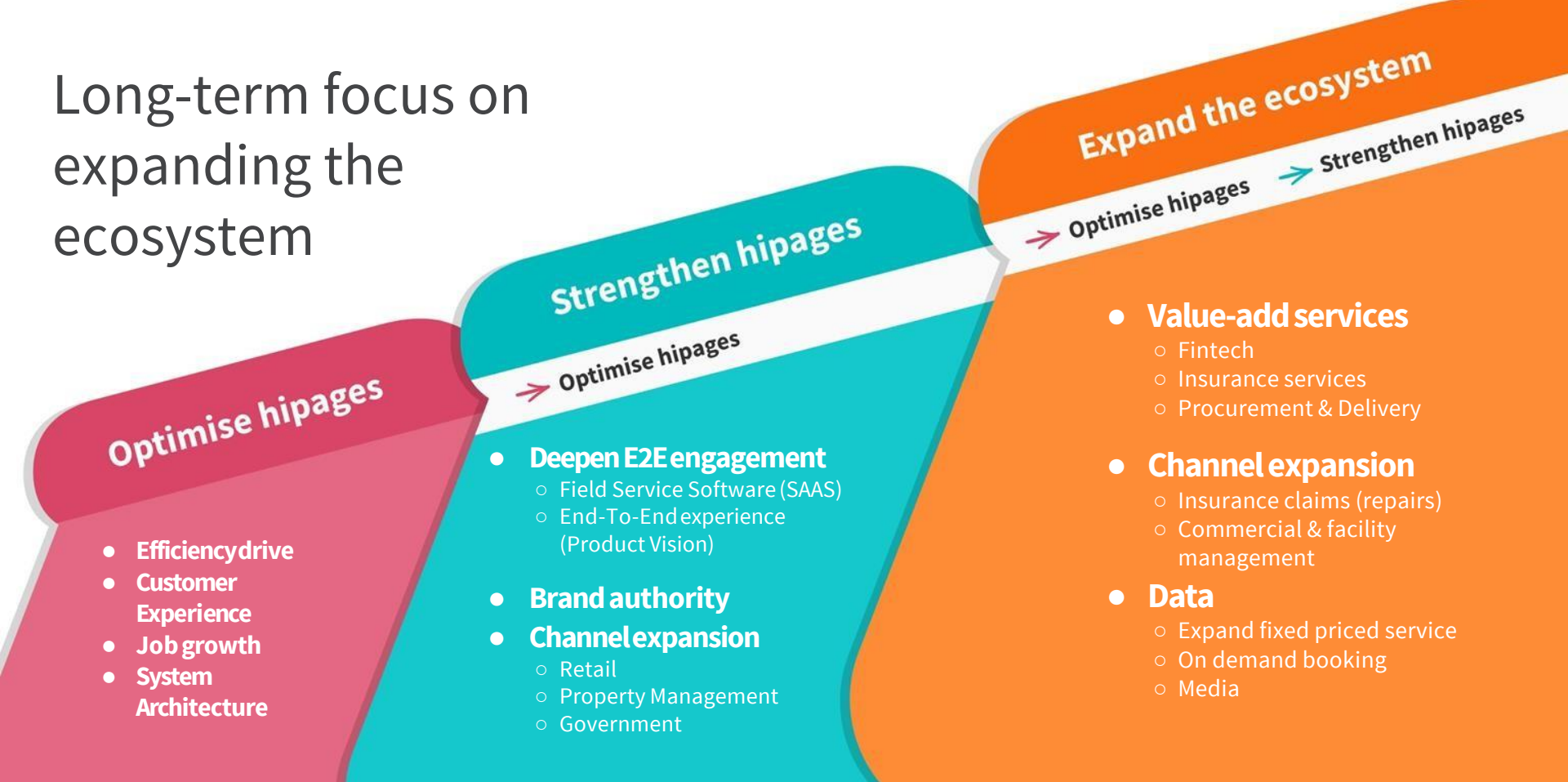
- **Pro forma EBITDA** of \$6.9m after:
 - Removal of IPO transaction costs in relation to the secondary raise (\$4.8m)
 - Non-recurring remuneration and conversion loss on convertible note retired on IPO
 - Pro-forma adjustment to reflect public company costs as if incurred for the full period
- **Pro forma NPAT** of \$1.5m after:
 - Above noted adjustments
 - Non-recurring interest and other gain / losses on debt retired on IPO

Strategy



ROBY SHARON-ZIPSER
Chief Executive Officer &
Co-Founder

Long-term focus on expanding the ecosystem



H1 FY21 Progress against Strategy



Evolving business model

Subscription migration ahead of expectations

Continued evolution to SaaS provider

Field service software deployment on track

Brand Authority

Further investment to reinforce position as brand leader

Reinvest SEM savings in tradie acquisition

Further reduce reliance on paid channels

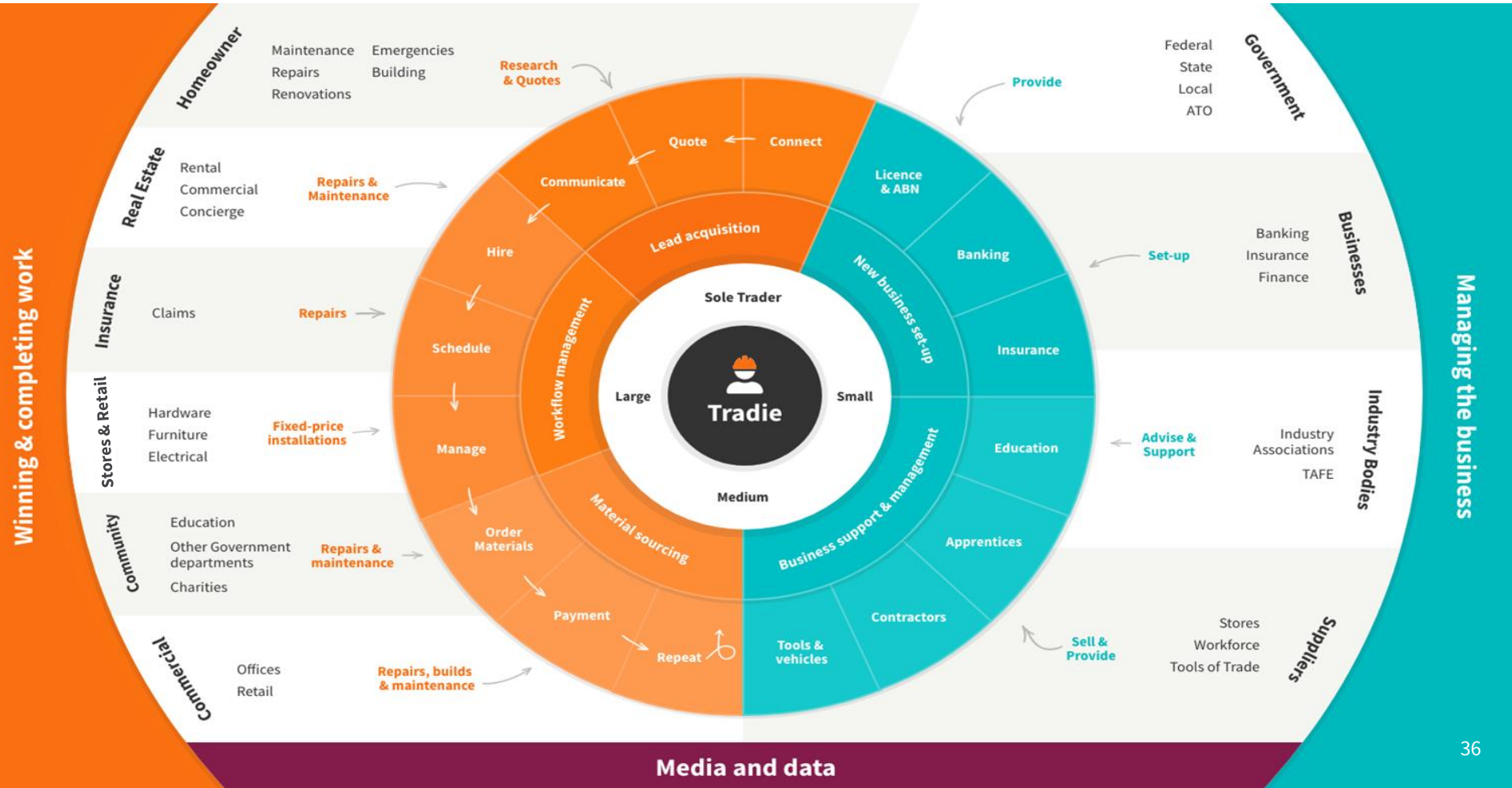
Partnerships

NSW Department of Education rollout on track

Partnership with Better Homes & Gardens

Continue to strengthen IKEA partnership

Strategic Focus – winning the Tradie Economy








FY21 Outlook



ROBY SHARON-ZIPSER
Chief Executive Officer &
Co-Founder

FY21 Outlook

-  **Strong start to H2 with January revenue up 18% on pcip, ahead of expectations with no adverse impact from COVID-19**
-  **Expect H2 FY21 revenue growth to be similar to H1 FY21 on pcip**
-  **In H2, reinvest cost savings in brand marketing, tradie acquisition, technology and product development to accelerate growth**
-  **Continue evolution to SaaS model with deployment of Field Service software solutions**
-  **Continue to optimise job mix and provide highest quality tradie network; tradie base engagement to focus on higher ROI and LTV customers**

Q&A

Disclaimer

IMPORTANT NOTICE

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