EVOLUTION CAPITAL

HPG | UPDATE REPORT | TECHNOLOGY

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Backing Its Own Story

hipages Group

Evolution Capital provides an update on hipages Group Holdings (ASX: HPG) following the company's Investor Day and recently announced capital management initiatives. hipages continues to execute its strategic transition from a lead-generation marketplace to a monetisation-driven SaaS platform, with mounting evidence of operating leverage, robust free cash flow generation, and broadening monetisation depth.

The platform evolution is increasingly well-defined. hipages is advancing toward a fully integrated operating system for the trades sector, embedding lead generation within workflow tools, payments infrastructure, and adjacent services. This is driving deeper engagement, reinforcing retention, and supporting sustained ARPU expansion. As the platform embeds in daily trade operations, growth is shifting from subscriber acquisition toward monetisation intensity, enhancing earnings quality and visibility.

This transition is underpinned by highly attractive structural economics. Revenue recurrence exceeds 97%, the model is capital-light, and the cost structure is increasingly conducive to operating leverage. As revenue scales, incremental margins and free cash flow conversion improve commensurately, reinforcing hipages' SaaS-like profile and capacity to generate durable, compounding free cash flow.

Recent corporate announcements are consistent with this trajectory. The acquisition of a 51% stake in VIZ Insurance represents a considered step into high-value adjacent verticals, extending the addressable market beyond the core offering. While not reflected in forecasts given limited disclosure, the strategic rationale is compelling: the transaction has potential to increase share of wallet, improve retention, and enhance monetisation over time.

The announced share buy-back reinforces management's confidence in the cash flow profile and intrinsic value. We incorporate a conservative 6% reduction in shares outstanding across FY26 and FY27, implying a decline from approximately 136.9 million to ~128.7 million shares, broadly neutral at the enterprise value level but clearly accretive on a per-share basis.

Reflecting these adjustments, we raise our DCF-derived target price to A$1.95 per share (from A$1.84), with core assumptions on growth, margins, and free cash flow unchanged.

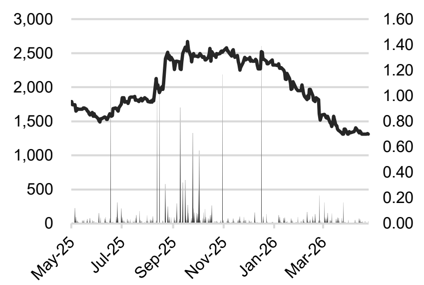
hipages is firmly in the monetisation phase of its platform evolution**.** A recurring revenue base, operating leverage, and disciplined capital allocation underpin a structurally improving earnings profile and compelling per-share value creation thesis.

Key Near-Term Catalysts	
Deployment of AI-enabled workflows (AI job posting assistant, self-serve matching, smart quoting, scheduling optimisation)	From H2 FY26
Expansion of SaaS monetisation into payments and financial tools (Tap-to-Pay, advanced invoicing, embedded services)	FY26–FY28
Execution of on-market share buy-back (capital return and per-share value accretion)	FY26–FY27
Integration and scaling of VIZ Insurance (initial monetisation and cross-sell into tradie base)	FY26–FY27

Recommendation	**Buy**
Share Price	**$0.76**
Fair Valuation	**$1.95**
TSR	**158%**

Company Profile	
Market Cap	$103M
Enterprise Value	$74M
Free Float	59%
EV/EBITDA	~3.4
Cash	$31m
52-Week Range	$0.68 - $1.6
SOI	136.9M

Price Performance



Company Overview

Hipages is Australia's leading home services SaaS platform, enabling tradies to find work, manage jobs and get paid through an integrated, end-to-end solution. The company has evolved from a pure marketplace into a subscription-driven model, combining lead generation with workflow tools such as quoting, invoicing, scheduling and payments. This integrated approach embeds hipages more deeply into tradie workflows, increasing engagement and retention. The platform delivers high-margin recurring revenue, strong customer loyalty and scalable growth, positioning hipages as critical digital infrastructure within the tradie economy.

Analyst

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HPG Coverage

Update 26 Feb 2025 Link

Update 27 Aug 2025 Link

Initiation 12 June 2025 Link

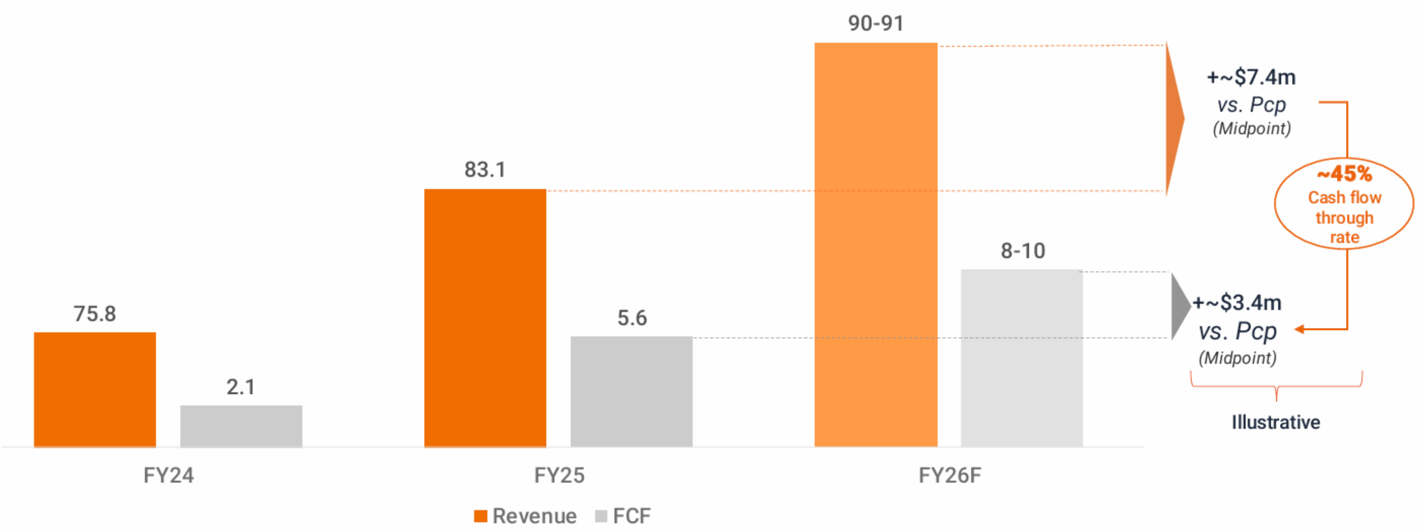
Investment Summary

hipages delivered a solid H1 FY26 result that reinforces the company's transition from a volume-driven marketplace to a monetisation-led SaaS platform. Revenue increased 11% year-on-year to A$44.9m, while EBITDA rose 29% to A$11.2m, with margins expanding to 25%. The result highlights emerging operating leverage, with incremental revenue increasingly translating into profitability and free cash flow.

The investment case is now clearly shifting toward monetisation depth rather than subscriber growth. With the full migration to new pricing plans across Australia and New Zealand, hipages has structurally reset ARPU at a higher level. Growth is increasingly driven by pricing optimisation, product adoption, and deeper workflow integration, supporting a more durable and scalable revenue base. This transition enhances both earnings quality and visibility, underpinned by a highly recurring revenue mix (>97%).

While FY26 revenue guidance of A$90–91m is modestly below earlier expectations, profitability and free cash flow targets remain unchanged. This distinction is key. The model is demonstrating clear operating leverage, with strong incremental cash flow conversion and increasing earnings visibility. As illustrated in Figure 1, hipages is generating a high proportion of incremental revenue as free cash flow, with cash flow conversion approaching ~45%, reinforcing the scalability and capital efficiency of the platform.

Figure 1: Revenue and Free Cash Flow



Source: Investor Presentation, HPG.

Recent capital allocation decisions further strengthen the per-share investment case. The announced on-market share buy-back reflects confidence in both valuation and cash generation, and is clearly accretive on a per-share basis. In parallel, the acquisition of a 51% stake in VIZ Insurance introduces an additional monetisation vector through expansion into non-discretionary, high-frequency services. While not yet reflected in our forecasts, the strategic rationale is compelling, with potential to increase share of wallet, improve retention, and enhance long-term monetisation.

hipages is firmly positioned in the monetisation phase of its platform evolution, with ARPU-driven growth, operating leverage, and strong free cash flow generation underpinning a structurally improving earnings profile.

Valuation

We update our valuation to reflect the announced on-market share buy-back and the acquisition of a majority stake in VIZ Insurance. The changes are predominantly technical in nature and leave our core operating assumptions and investment thesis unchanged.

The buy-back of up to 10% of issued capital is a key driver of the revision. We conservatively assume a 6% reduction in shares outstanding, equivalent to approximately 8.2 million shares, executed over FY26 and FY27 in line with the expected programme duration. Assuming an average buy-back price of ~A$0.90, this results in a reduction in the fully diluted share base from approximately 136.9 million to ~128.7 million over the forecast period.

Consistent with standard valuation mechanics, the buy-back does not affect enterprise value. The associated cash outflow reduces net cash and, by extension, aggregate equity value. However, the reduction in shares outstanding is the dominant effect, leading to a clear increase in equity value on a per-share basis. On our estimates, the buy-back is approximately 5–7% accretive to our valuation per share, assuming execution at current trading levels. In our view, this represents a disciplined and value-accretive use of capital, supported by the company's strong free cash flow generation and robust balance sheet.

We have also incorporated the acquisition of a 51% stake in VIZ Insurance as a A$1.4 million investing cash outflow in FY26. Given the early stage of the business and the absence of disclosed financials, we have not explicitly modelled revenue or earnings contributions at this stage. Instead, we view the transaction as strategically aligned with hipages' platform expansion, with potential to support higher monetisation, improved retention, and broader ecosystem integration over time. As such, any contribution from VIZ remains upside to our base case.

All other key assumptions remain unchanged. Our forecasts continue to reflect an ARPU-driven growth profile, with limited subscriber expansion, alongside ongoing margin improvement driven by operating leverage and a high proportion of recurring revenues.

The revision to our valuation is driven by capital structure optimisation rather than changes in underlying operating performance. The buy-back enhances per-share value, while the VIZ acquisition introduces incremental strategic optionality not currently captured in our forecasts. Reflecting these adjustments, we increase our DCF-derived target price to **A$1.95 per share (from A$1.84)**.

Key Risks

Execution and Monetisation Depth
Following the completion of the STP migration, the investment case is increasingly dependent on monetisation depth rather than subscriber expansion. Sustained ARPU growth relies on continued adoption of workflow tools and premium functionality, including quoting, invoicing, scheduling, and payments. Slower-than-expected uptake or weaker engagement could limit ARPU expansion and constrain revenue growth, given the relatively stable subscriber base embedded in our forecasts.

Customer Retention and Competitive Dynamics
While hipages benefits from a highly recurring revenue base, retention remains linked to the perceived value delivered to tradie businesses. Competitive intensity is increasing across both lead-generation platforms and specialised workflow software providers. Any deterioration in lead quality, pricing power, or relative product offering could negatively impact retention rates and reduce revenue visibility.

Reliance on ARPU-Led Growth
Our growth framework assumes continued ARPU expansion as the primary driver of revenue. This increases sensitivity to pricing discipline, product bundling, and customer willingness to upgrade. In a softer housing or renovation environment, tradies may exhibit reduced tolerance for subscription increases, potentially slowing monetisation momentum.

Product Execution and Platform Integration
The long-term growth profile is increasingly tied to successful execution of AI-enabled workflows, payments, and adjacent services. Delays in product rollout, integration challenges, or weaker-than-expected adoption could limit monetisation opportunities and reduce the scalability of the platform.

Expansion into Adjacent Services
The expansion into adjacencies such as insurance (VIZ) introduces execution risk outside the company's core marketplace offering. While strategically aligned, these initiatives require successful integration and cross-sell into the existing tradie base. Failure to scale these services or achieve meaningful adoption could limit the expected uplift in ARPU and retention.

Macroeconomic Exposure
Although hipages operates a capital-light digital model, demand remains indirectly linked to residential construction and renovation activity. A sustained slowdown in tradie workloads could impact both customer engagement and willingness to pay, affecting ARPU growth and overall platform activity.

Capital Allocation and Buy-back Execution
With a strong balance sheet and increasing free cash flow, hipages has flexibility in capital allocation. However, the effectiveness of capital deployment remains critical. While the announced buy-back is accretive at current levels, suboptimal execution or future capital allocation decisions could impact long-term value creation.

Appendix

Financial Statements

VALUATION DETAILS	
Share Price (A$)	$0.76
Market Cap (A$m)	103.36
Enterprise Value (A$m)	74.09
Fair Value/Share (A$)	$1.95

PER SHARE DATA	FY25a	FY26e	FY27e	FY28e
Shares Outstanding (m)	134.0	136.2	128.7	128.7
Normalised EPS (A$)	0.018	0.048	0.091	0.144
Dividends per Share (A$)	0.00	0.00	0.00	0.00
Payout	0%	0%	0%	0%
Franking	0%	0%	0%	0%

FINANCIAL STATEMENTS (A$m)	FY25a	FY26e	FY27e	FY28e
Income Statement				
Revenue	83.15	90.65	101.02	110.98
EBITDA	19.63	22.05	26.93	33.56
EBIT	1.65	5.95	11.10	17.84
Net Income	**2.39**	**6.58**	**11.75**	**18.53**
Balance Sheet				
Cash	25.63	31.36	33.70	51.03
Trade and other receivables	1.63	2.72	2.02	2.22
Intangible assets and Other	40.45	40.17	45.41	47.38
Total assets	**67.71**	**74.25**	**81.14**	**100.62**
Trade and other payables	7.09	7.55	8.89	9.29
Contract liabilities	4.01	4.08	4.55	4.99
Other Liabilities	13.45	13.50	13.61	13.72
Total Liabilities	**24.56**	**25.13**	**27.05**	**28.01**
Shareholders' Equity	**43.15**	**49.12**	**54.09**	**72.62**
Cash Flow Statement				
Net Income	2.39	6.58	11.75	18.53
Add: Depreciation & Amortisation	17.98	16.10	15.82	15.71
Less: Change in Net Working Capital/Other	2.14	1.31	-1.84	0.06
Cash Flow from Operations	**22.51**	**23.99**	**25.73**	**34.30**
Cash Flow from Investing	**-15.10**	**-15.71**	**-14.64**	**-14.98**
Lease liability payments	-1.66	-1.67	-1.71	-1.74
Net Borrowings/Other	-0.25	-0.87	-7.04	-0.25
Cash Flow from Financing	**-1.91**	**-2.54**	**-8.74**	**-1.99**
Unlevered Free Cash Flow	7.40	8.27	11.09	19.31

RATIOS	FY25a	FY26e	FY27e	FY28e
Liquidity				
Current Ratio	0.00	0.00	0.00	0.00
Quick Ratio	0.00	0.00	0.00	0.00
Solvency				
Debt to Equity	0.00	0.00	0.00	0.00
Debt to Assets	0.00	0.00	0.00	0.00
LT Debt to Assets	0.00	0.00	0.00	0.00
Profitability				
Net Margin	2.9%	7.3%	11.6%	16.7%
EBITDA Margin	23.6%	24.3%	26.7%	30.2%
ROA	3.5%	8.9%	14.5%	18.4%
ROE	5.5%	13.4%	21.7%	25.5%
Growth				
Revenue	9.0%	11.4%	9.9%	9.6%
EBITDA	17.1%	12.3%	22.1%	24.6%
NPAT	-33%	175%	79%	58%
Valuation				
P/E	43.2	15.7	8.8	5.6
P/B	2.4	2.1	1.9	1.4
EV/EBITDA	3.8	3.4	2.8	2.2
EV/Sales	0.9	0.8	0.7	0.7

Exchange differences on translation and losses from the revaluation of investments were excluded from the overall OCI assessment, as these items do not have a material impact on the company's financial outlook. Company-defined

[1] *FCF deducts lease payments (classified under financing cash flows under IFRS 16), resulting in lower reported free cash flow compared to conventional DCF definitions.*

Evolution Capital Ratings System

Recommendation Structure	• **Buy:** The stock is expected to generate a total return of >10% over a 12-month horizon. For stocks classified as 'Speculative', a total return of >30% is expected. • **Hold:** The stock is expected to generate a total return between -10% and +10% over a 12-month horizon. • **Sell:** The stock is expected to generate a total return of <-10% over a 12-month horizon.
Risk Qualifier	• **Speculative:** This qualifier is applied to stocks that bear significantly above-average risk. These can be pre-cash flow companies with nil or prospective operations, companies with only forecast cash flows, and/or those with a stressed balance sheet. Investments in these stocks may carry a high level of capital risk and the potential for material loss.
Other Ratings:	• **Under Review (UR):** The rating and price target have been temporarily suppressed due to market events or other short-term reasons to allow the analyst to more fully consider their view. • **Suspended (S):** Coverage of the stock has been suspended due to market events or other reasons that make coverage impracticable. The previous rating and price target should no longer be relied upon. • **Not Covered (NC):** Evolution Capital does not cover this company and provides no investment view.

Expected total return represents the upside or downside differential between the current share price and the price target, plus the expected next 12-month dividend yield for the company. Price targets are based on a 12-month time frame.

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