

## **RaaS Research Interview – Airtasker (ASX:ART)**

**30 August 2024**

**Duration 9 minutes 39 seconds**

00:00:02:04 - 00:00:25:20

**Finola Burke**

Hello I'm Finola Burke from RaaS Research Group and we are focusing today on local services online marketplace company Airtasker (ASX ticker ART). Joining me to discuss the company's recently released annual results is CEO and Co-founder Tim Fung and CFO Mahendra Tharmarajah. Welcome Tim and Mahendra and thank you for joining me.

00:00:25:22 - 00:00:26:10

**Mahendra Tharmarajah**

Thanks.

00:00:26:12 - 00:00:27:12

**Tim Fung**

Thanks, Finola.

00:00:27:14 - 00:00:40:09

**Finola Burke**

I'll start with Mahendra. Airtasker delivered a great turnaround to deliver positive free cash flows. You've reduced the cost base, is that sustainable while you are growing revenues?

00:00:40:11 - 00:01:02:14

**Mahendra Tharmarajah**

Absolutely. So, you know, we made some decisions at the end FY23 about, getting the business to cash breakeven, and we actually exceeded that in FY24. We made some decisions around what we wanted to do in terms of our underlying cost base. So we reduced that headcount by 20% in FY23.

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**Mahendra Tharmarajah**

And that's obviously paid dividends for us going into, FY24. You know, as a business we've got two large, I guess, expense line items. The first one is our staff, our people and the second one is really our marketing costs. And the

people cost is relatively fixed or semi variable, whereas the marketing obviously has a degree of flexibility.

00:01:23:12 - 00:01:49:23

**Mahendra Tharmarajah**

You know, we can flex our marketing plans as required. So in setting our plan for FY25 we've obviously we're targeting to be cash breakeven or better for the full year as a group. And the intention obviously is to use the cash that our Australian operations generate, as our Australian operations are cash generative, and they help cover all of our fixed costs and then fund our cash contribution into new markets.

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**Mahendra Tharmarajah**

Now obviously with the other thing we're also doing is we're funding a large portion of our marketing activities or marketing expenditure through in-kind, media contra deals with different partners. So in the UK we have Channel Four, a deal we did in June 2023 and in Australia we completed deals with oOH Media for outdoor out-of-home advertising and ARN (Radio) for audio advertising.

00:02:14:00 - 00:02:32:04

**Mahendra Tharmarajah**

And so that was the end of June and beginning of July. ARN own, you know, properties like KISS FM and Kyle and Jackie O, Will and Woody. So they will be that, that will be the lion's share of the marketing spend for us. And we're obviously then adding a bit of cash for paid and performance marketing.

00:02:32:06 - 00:02:52:12

**Finola Burke**

Tim, marketplace revenues were up almost 10% on the pcg despite macro-economic challenges. Do you think your focus on Trust in the marketplace can deliver the same benefits as the cancellation policy did in FY24 to monetisation rates, and what exactly is improving trust?

00:02:52:14 - 00:03:11:15

**Tim Fung**

So I think, starting with the FY24 improvement, to the monetisation rate, we had, a really, really strong focus on reducing cancellations and that was incredibly, impactful and successful. And I think it's worthwhile calling out that the monetisation rate improved, not because we put our prices. We didn't actually change any pricing in FY24.

00:03:11:15 - 00:03:32:12

**Tim Fung**

We just saw a greater throughput from tasks that were posted all the way through to the tasks that were completed we had greater sales funnel efficiency. So we're going to take another focus in FY25 and as you mentioned, marketplace trust. And the aim there is to get more tasks from being posted to being booked. You know, going from that, step.

00:03:32:12 - 00:03:56:13

**Tim Fung**

And we think that, investing in trust signals like verified ID is like verifying a, licenses and are impactful. I think that moving three percentage points in monetisation rates you know, which is, you know, in the in the vicinity of what we were able to deliver in FY24 is probably a big ask.

00:03:56:15 - 00:04:16:06

**Tim Fung**

And I think that the trust signals that we're, that we're building in FY25 are not just designed to have that direct sales funnel efficiency. They're also designed to improve retention, improve that customer experience and, I think that will also have a very strong long term impact on, on retention and ultimately grow.

00:04:16:08 - 00:04:31:22

**Finola Burke**

Tim, the UK saw very strong growth in FY24, particularly in Q4, which reflects well on the media deal you have in place there. How long do you expect that halo effect to last and does it become a recurring benefit for revenue?

00:04:31:24 - 00:04:54:09

**Tim Fung**

There was a really great, result in, in FY24. In the last quarter, we saw about 76%, growth on PCP and I think that momentum is actually building. So we're actually more in a phase now where, the investment into brand, it actually takes time to roll through. So rather than that not being sort of something that's diminishing, I think that's something that's, that's accelerating.

00:04:54:10 - 00:05:20:11

**Tim Fung**

Of course, it's always harder to grow on bigger numbers and at that sort of at that rate. But I'd say the effects of our branding, are building momentum. And I

think, you know, we can really replicate that success into, into more, into more markets with as Mahendra mentioned earlier, that the media partnership deal structure, which, you know, we started in 23, we, continued into 24 and, you know, more to come in 25.

00:05:20:13 - 00:05:41:08

**Finola Burke**

Mahendra, you ended the FY24 year with a stronger cash balance, \$17.8m in total. You've flagged that protection of the cash balance is a key priority for FY25. What gives you the confidence that underlying cash flows can fund growth initiatives going forward?

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**Mahendra Tharmarajah**

So I guess firstly, the intention is obviously to finish the year with the same cash balance as we started. So over the full year. The plan at the moment is to be, you know, cash breakeven, you know or better FY25. The business is quite seasonal, so we do see, stronger, you know, revenue and cash flow, cash inflows in the second and third quarters of the fiscal year, and probably weaker in the first and fourth.

00:06:08:02 - 00:06:25:08

**Mahendra Tharmarajah**

So there will be seasonality where we might dip into that cash balance for working capital and the like, but then it'll get replenished in a subsequent quarter or at the quarter before. So there will be ups and downs, I think, over the course of the year. But at the end of the year, we're confident we'll be at that position.

00:06:25:10 - 00:06:42:06

**Mahendra Tharmarajah**

In terms of growth, as I mentioned, I think, you know, there's a couple of things we're working on. Obviously, on the marketing piece, we've got a combination of cash and in kind of media control that we're using. So, you know, we're quite confident that the contra, is obviously not going to have any, any cash impact and we would be confident that that'll drive the revenue growth.

00:06:42:06 - 00:07:03:21

**Mahendra Tharmarajah**

And then the cash receipts, which we'll fund, obviously the Australian operations and the international operation. And then on the product initiatives side. Tim

just mentioned it was talking about trust and the trust project. A lot of the costs behind that are fixed personnel costs right. So that's people are project and product teams that basically are on staff where we basically allocate their time or their resources to different projects.

00:07:03:21 - 00:07:08:16

**Mahendra Tharmarajah**

So that there's no incremental cost for that, that'll be a high focus for impact in FY25.

00:07:08:18 - 00:07:14:17

**Finola Burke**

And Tim, what do you see as the key opportunities and key challenges for Airtasker in the year ahead?

00:07:14:19 - 00:07:34:13

**Tim Fung**

So I think, you know, across the Australian markets, in FY24, we, you know, generate an approximate cash flow of about \$31 million out of our Australian market. I think we've got an opportunity to continue to increase that, increase that further. There's a lot of growth, in the Australian market. We talked about investing into marketplace trust.

00:07:34:13 - 00:07:59:21

**Tim Fung**

I think that is one big opportunity. The second is investment into our One Flare platform. You know, we really solidified the revenues, in FY24 and I think in FY 25, there's an opportunity to, to build on that, that momentum. Predominantly through things like, simplifying the pricing proposition and increasing sales funnel efficiency. And then thirdly, in Australia, Airtasker has incredible, prompted brand awareness.

00:07:59:21 - 00:08:18:20

**Tim Fung**

We have over 60%, prompted brand awareness. But where we really need to improve is in the brand salience. So when you see that your garage, you know, is messy and could be emptied out, when you see the, you know, you've just bought some Ikea furniture, would Airtasker be the first thing that pops into your into your head.

00:08:18:22 - 00:08:40:24

**Tim Fung**

And so alongside ARN and oOMedia, I think we've got a great opportunity to increase our unprompted, brand awareness and that is a big dial for us. On top of that, I think the UK and the US expansions are really, really exciting. You know, we touched on, the, the media deal structure and I think, you know, we're building momentum, in that area as well.

00:08:41:01 - 00:09:05:05

**Tim Fung**

What's so powerful about it is we're leveraging this platform, that, that we've built in Australia and literally taking that same platform and using it in new countries. What needs to be funded from that is, of course, some portion of cash marketing. But on top of that, with these media deals, we're able to take a small amount of cash marketing and effectively turbocharge it, with these, with this media contra.

00:09:05:07 - 00:09:30:22

**Tim Fung**

So it's a very, very effective and cost efficient structure. It's also really well risk-managed in a sense we have massive exposure to the, to the upside, but we've managed the, you know, we've managed any risk, down to, to the, to each of the new entities that we set up in, in each new country. So I think massive opportunity, both in Australia, to, to rebuild that momentum and then, in the US, in the UK, as we expand internationally too.

00:09:30:24 - 00:09:39:21

**Finola Burke**

Thank you, Tim and Mahendra for taking the time to discuss your results today. I am looking forward to catching up with you over the course of FY25 to check on Airtasker's progress.

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