JOBBER

JOBBER HOME SERVICE ECONOMIC REPORT

2022 Review and 2023 Outlook

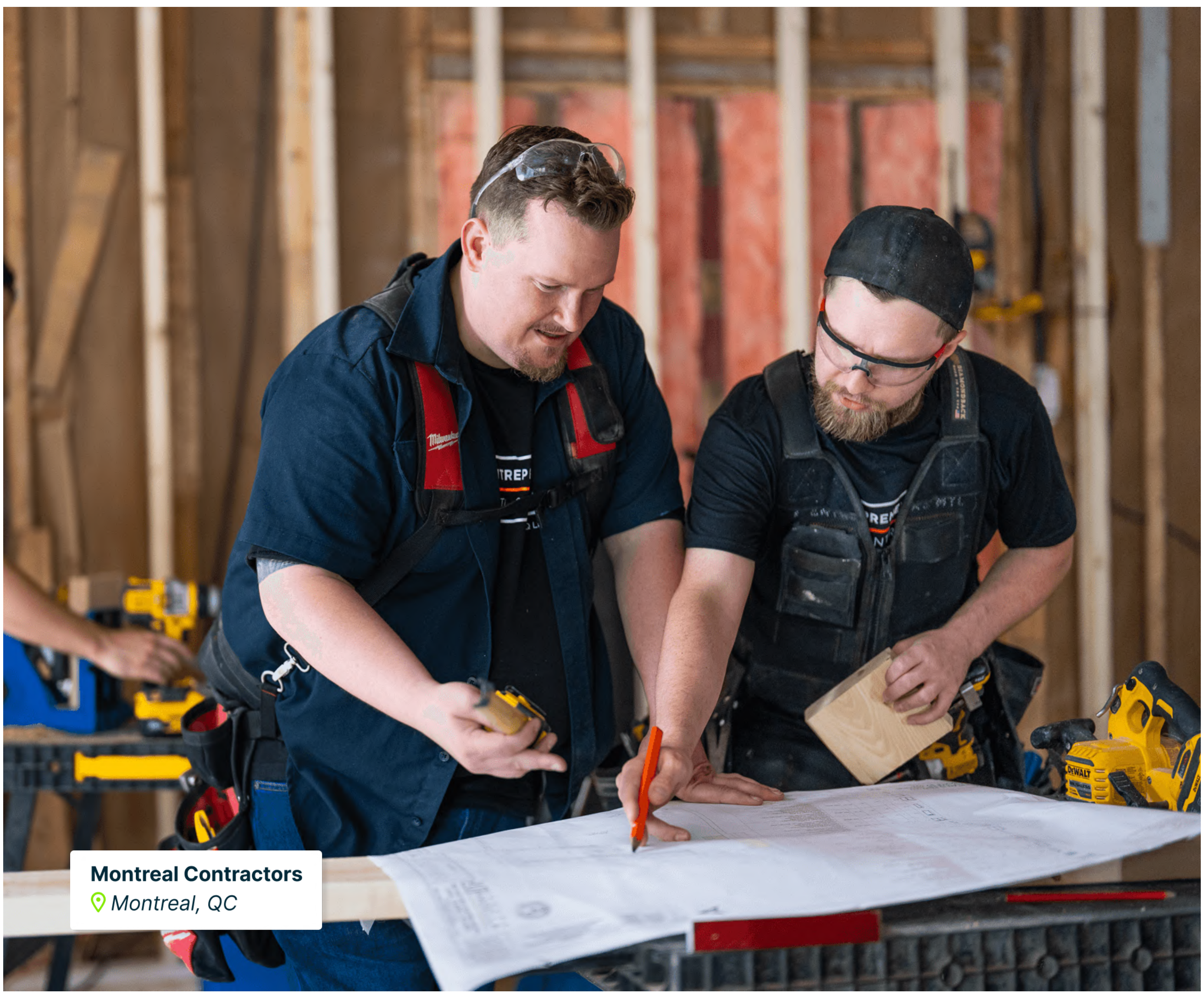


TABLE OF CONTENTS

Introduction

Small businesses make up 47% of the private labor force and contribute 44% to GDP in the United States[1]. As the leading operations management platform for Home Service businesses, Jobber is uniquely positioned to identify aggregate trends and insights in this important small business segment. More than 200,000 residential cleaners, landscapers, HVAC technicians, and more, keep track of jobs and charge their customers for work using Jobber.

Our analysis of the Home Service economy in 2022 and outlook for 2023 highlight three major trends: rising costs, persevering consumer demand, and long-term resilience. In this Jobber Home Service Economic Report, we will provide a deeper understanding of these themes and the potential impact they may have on Home Service professionals.

Takeaways:

- Home Service businesses continue to grow in revenue despite headwinds. This is mainly driven by price increases rather than by a higher number of jobs. We need to note that 2021 had very high growth. As a result, flat to low growth in 2022 is actually a net positive; two-year CAGR is over 15%.

- New business starts spiked in mid-2020, seeing over 40,000 new construction businesses and over 30,000 new lawn care and cleaning businesses start every month. This trend has sustained at these levels since then.

- Similarly, construction spends, remodeling activity, and revenues of Green and Cleaning businesses have sustained at elevated levels.

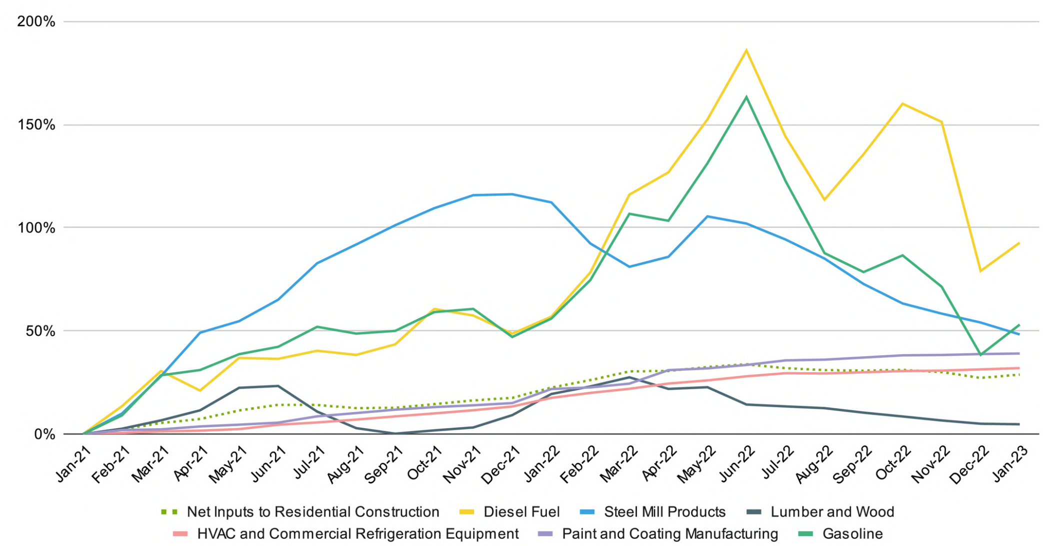
- Trade school revenues have grown by over 10% year-over-year over the last few quarters, even in Q3 2022. When viewed as a proxy for interest in this domain, this illustrates a great sign for the future of Home Service employment and entrepreneurship.

Rising costs

Inflation, rising interest rates, rising commodity prices, and rising wages/low unemployment have had a significant impact on Home Service businesses this past year. Fueled by low interest rates and economic reopenings, inflation and rising commodity prices have driven up material costs, while low unemployment and wage growth has driven up labor costs—essentially the two major costs for all Home Service professionals.

The commodities that had the biggest effect on service providers in 2022 are gasoline, HVAC equipment, and steel products.[2] All of these are major cost drivers for Home Service professionals and all had 100%+ price increases year-over-year at one point, but have rapidly slowed down recently. One thing to note is that these costs have a greater impact on certain industries like construction than others.

Change in PPI for Commodities (Compared to January 2021)

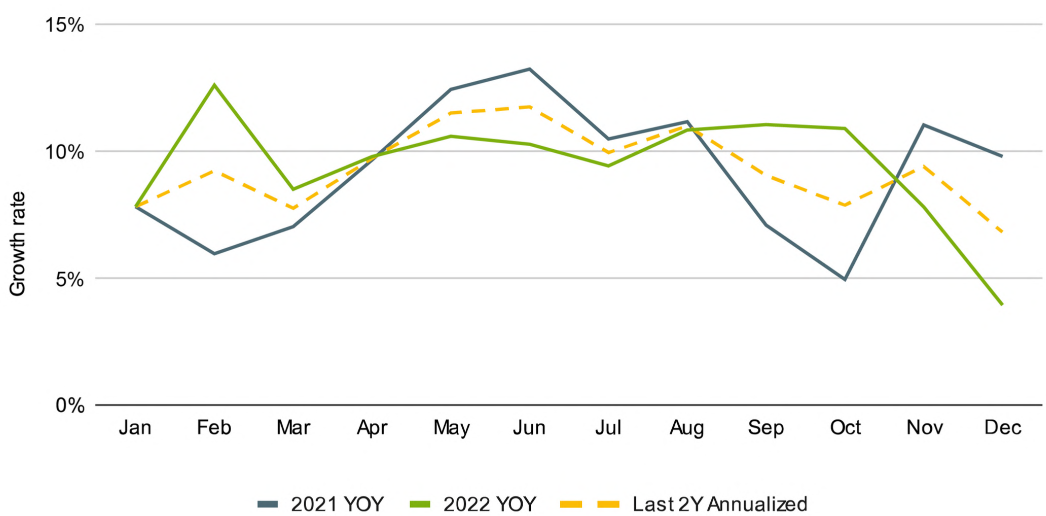


A big cause of material cost increase is supply chain disruptions over the past few years, but according to the Global Supply Chain Pressure Index, this dramatically improved in the second half of 2022 and early 2023, and is expected to continue improving throughout FY23.[3]

Global Supply Chain Pressure Index

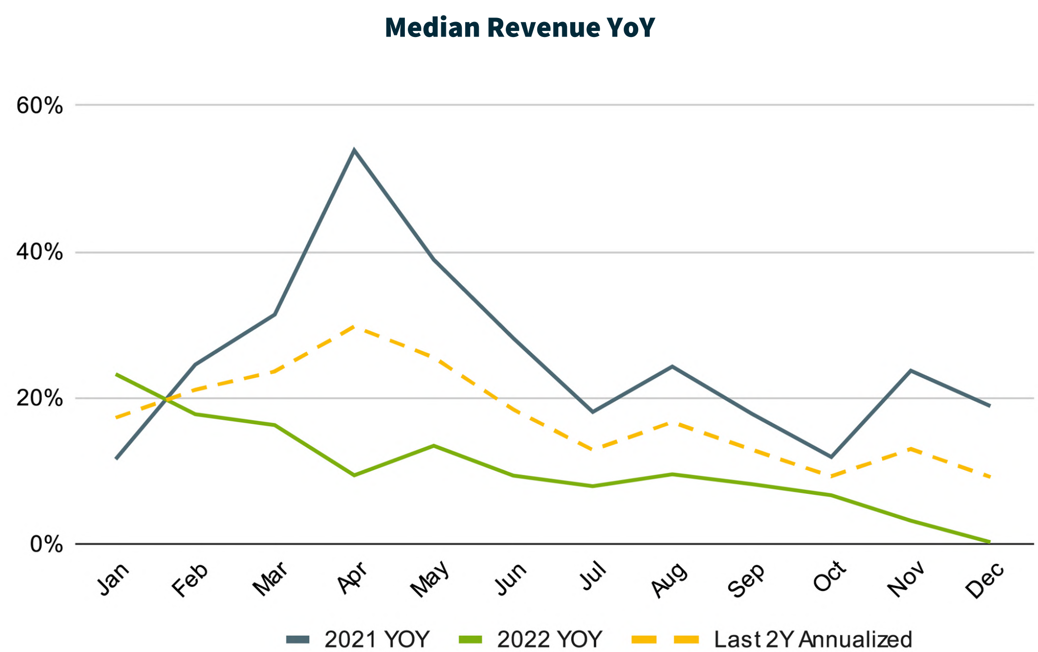
With their own costs increasing, we'd expect Home Service providers to charge more in order to break even. Looking at Home Service providers who have been with Jobber since 2020, we can see that the average invoice value has risen consistently with about 10% year-over-year growth, offsetting rising costs. [4] The first few months of 2023 look similar with average invoice value continuing to rise.

Average Invoice Value YoY

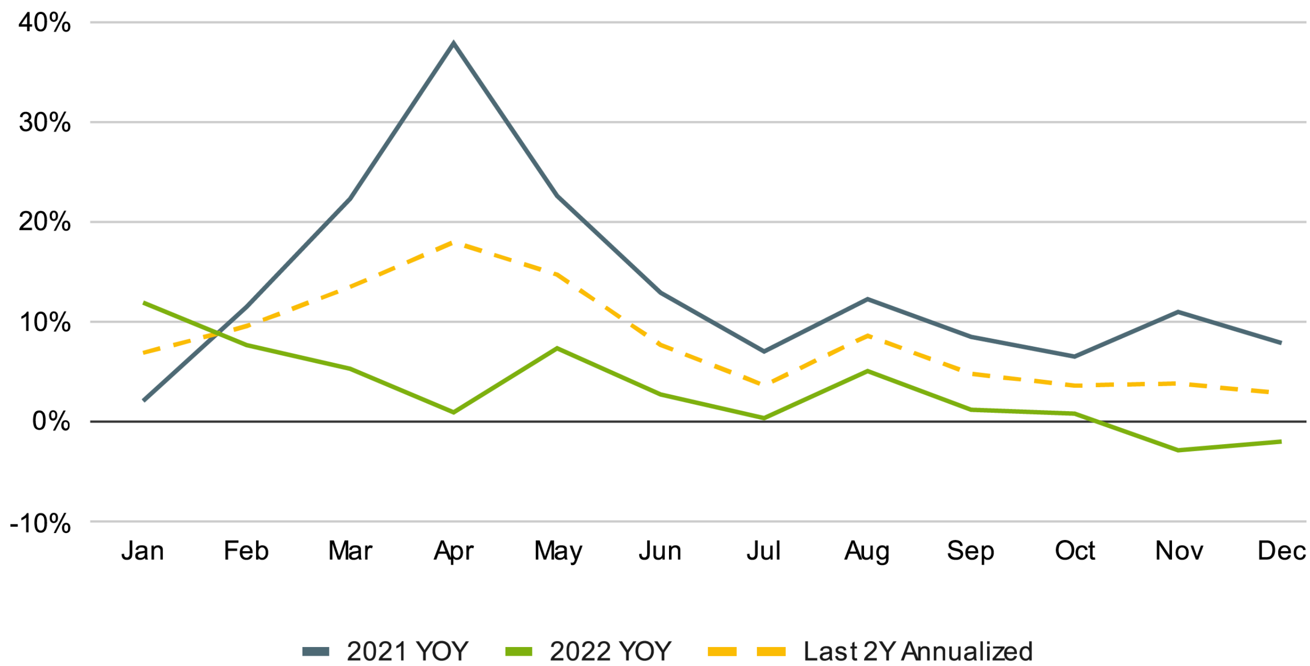


Consumer Demand

Despite economic headwinds and being measured against the exceptional performance of 2021, Home Service businesses continued to grow revenue year-over-year in 2022. Aggregated data from Jobber shows median revenue for a service provider continued to increase throughout 2021 and 2022.[4] This has been primarily driven by higher invoice values, as the number of invoices sent per month has only risen slightly or stayed flat. This indicates that service professionals have been able to cover some of their costs by increasing prices, but challenges in the labor market, including cost and availability of labor, do constrain their ability to take on more work. We see similar trends looking at the first couple of months of 2023 with revenues continuing to grow as the number of invoices per month stays flat.[4]



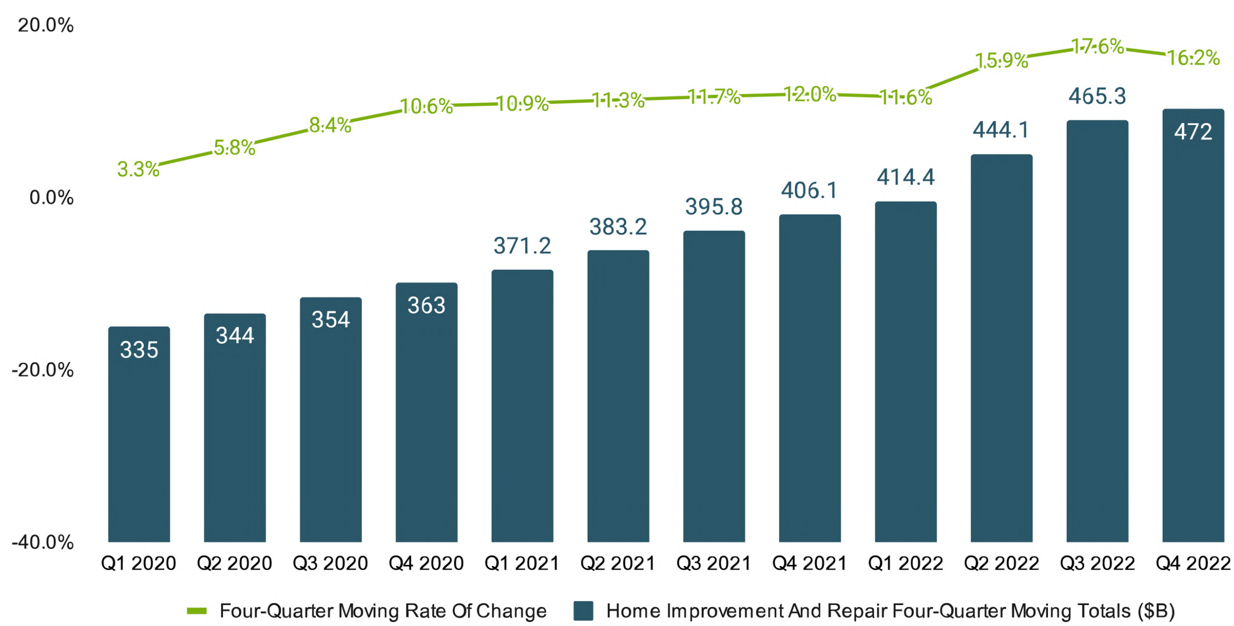
Average Number of Invoices Issued YoY



Housing Market Dynamics

To complement the aggregated Jobber data, we also assessed external data sources that track the Home Service economy. The Leading Indicator of Remodeling Activity (LIRA) provides a short-term outlook of national home improvement and repair spending to owner-occupied homes. Released quarterly by Harvard University's Joint Center for Housing Studies (JCHS), it looks at several key economic indicators that typically influence and lead remodeling activity. LIRA has been growing, and accelerating, consistently throughout 2020, 2021, and into 2022. It is expected to continue growing into 2023, but at a slowing rate.[5]

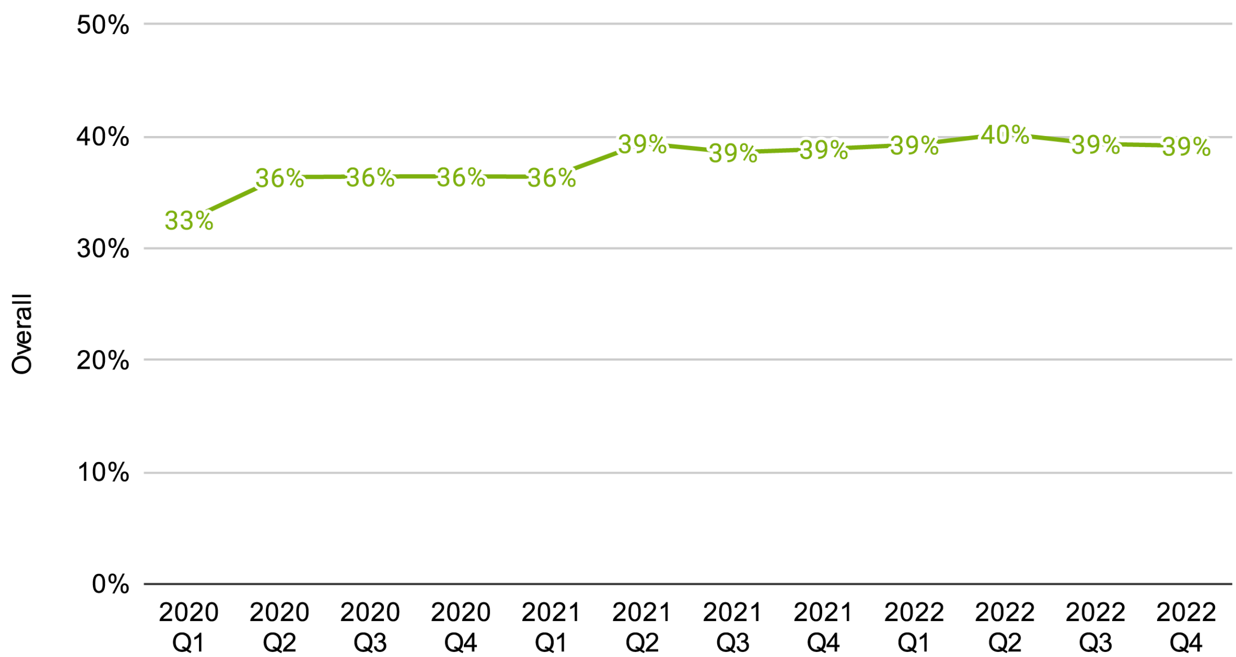
Leading Indicator of Remodeling Activity (Total Spending and Growth)



Continued Growth in Digital Payments

Additionally, popularity of online payments, which surged during lockdowns in 2020, has continued to stay robust throughout 2021 and 2022. Even as the economy reopens, the behavior has stuck as customers are choosing to pay through credit cards more often and service professionals are seeing the value in accepting online payments.[6]

Online Payments as % of Total Payments Collected (2020-2022)

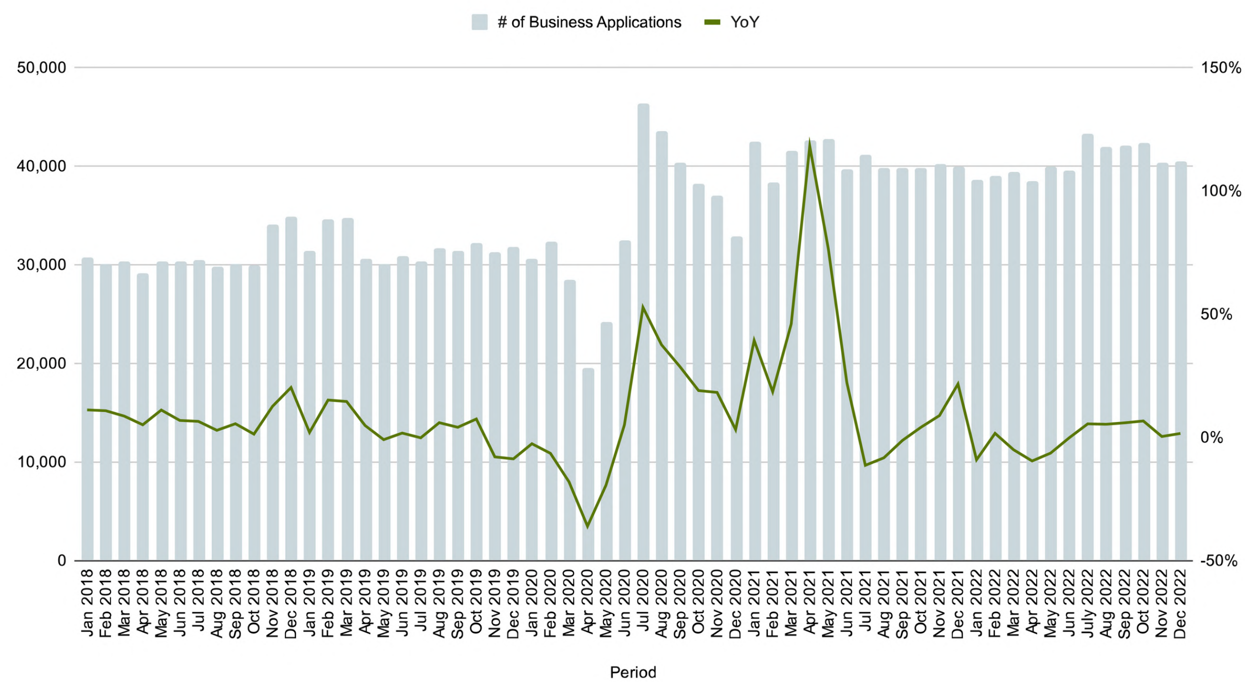


Long Term Resilience

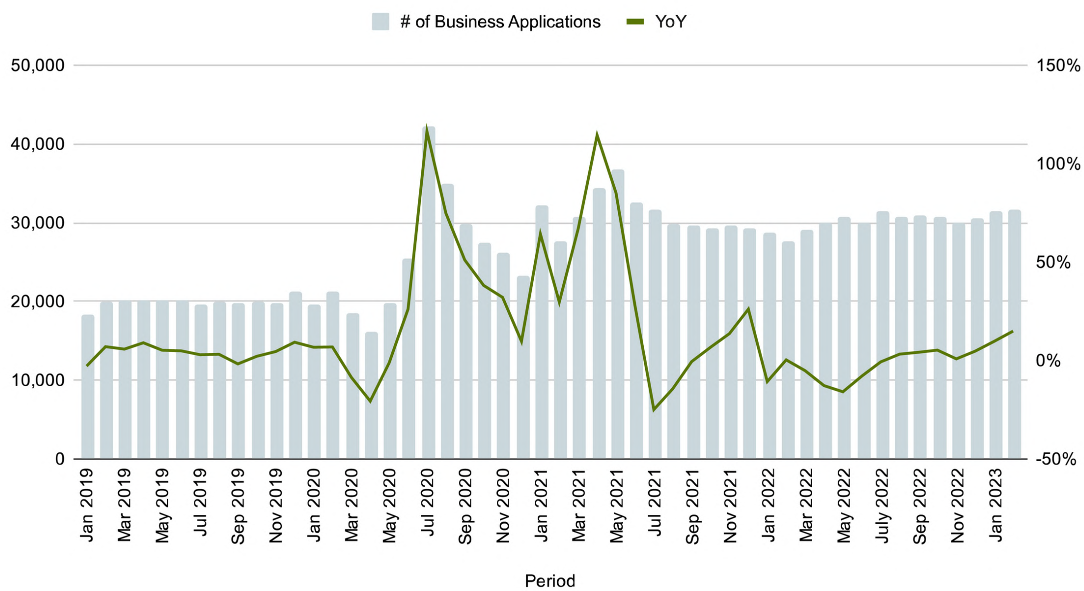
Looking into the future of Home Service, we see continued signs of growth and resilience in the category. Home Service professionals provide essential services that are in demand and will continue to be in demand long into the future, regardless of the state of the economy.

As the United States entered lockdowns in 2020, there was an increased interest in trade careers and trades businesses. As the world reopened, that heightened interest remained. New business formation applications in Home Service industries remain very strong.[7] We saw that Contracting, Green, and Cleaning experienced a big bump in applications in 2020 at the beginning of the pandemic. While the year-over-year growth rate of applications has declined, the volume of applications has sustained the high levels of 2020 over the past two years.

New Business Applications — Contracting (2018-2022)

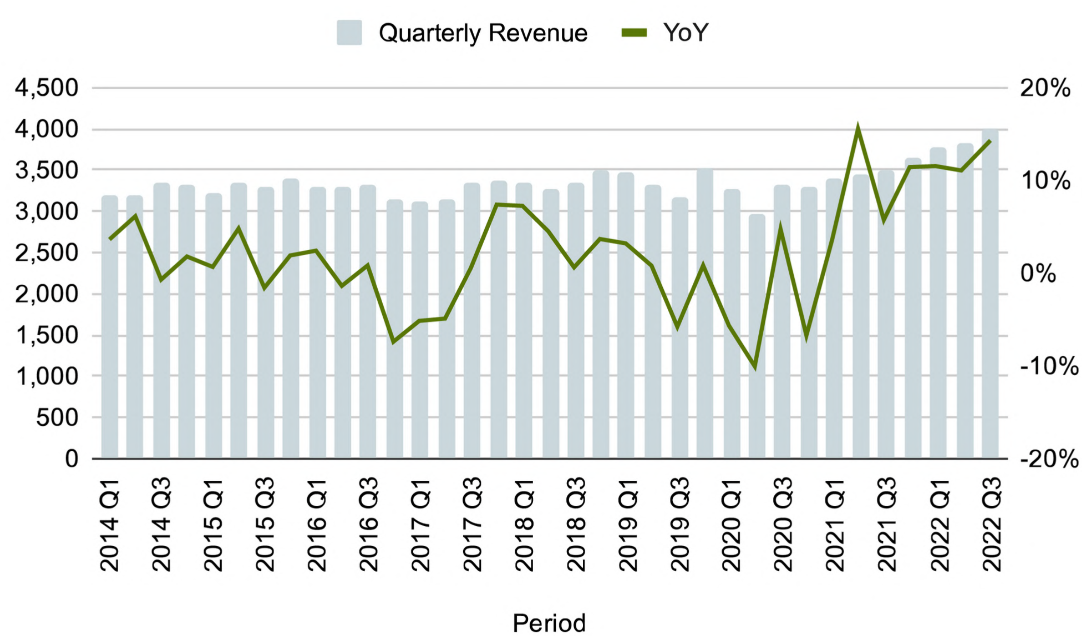


New Business Applications — Green and Cleaning (2018-2022)

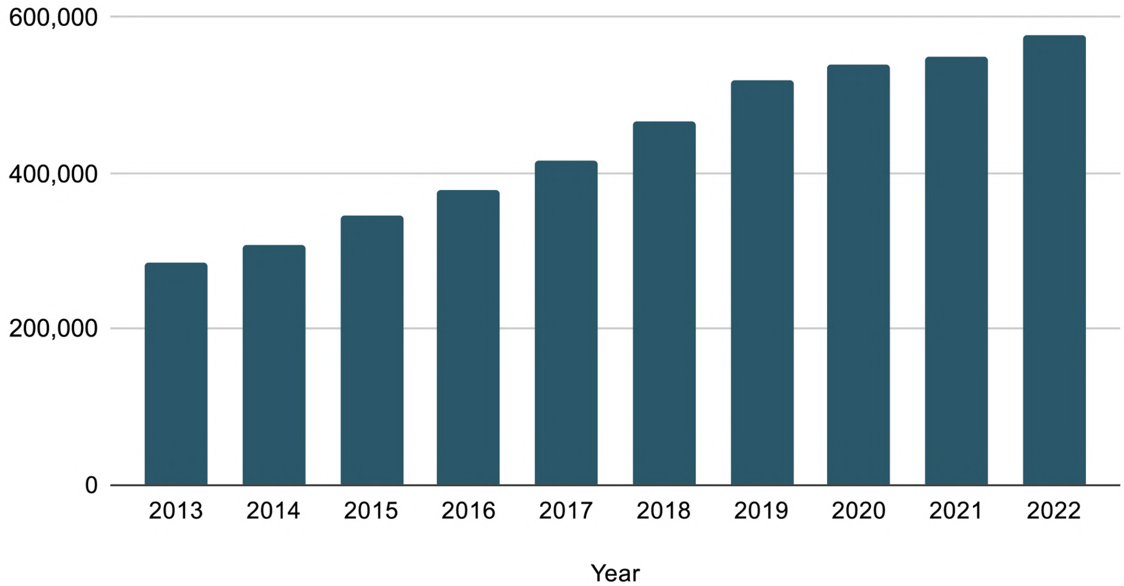


Additionally, technical and trade school enrollments are continuing to grow at very high rates as more and more students opt for trade schools over traditional higher education.[7] New apprenticeships have reached record levels in 2022 and are still growing.[8] These will be the businesses and employees of the future and continue to be long term drivers for our industry.

Technical and Trade School Quarterly Revenue and YoY



Active Apprentices (2013-2022)



Future Outlook

The economy has experienced various highs and lows since the start of the COVID-19 pandemic. The unemployment rate reached record highs during the height of the pandemic and record lows as the economy gained steam. Supply chains were tested to their limits, and tens of thousands of businesses across multiple industries were forced to close for good. It is clear that one part of the economy was able to persevere and grow in these uncertain times: Home Service businesses. That being said, there are many parts of the economy that remain uncertain.

Supply chain pressures seem to be easing and the Federal Reserve's interest rate hikes have led to some positive signs inflation is slowing down, but one must only check their weekly grocery bill to know it's still well above historical averages. Costs are expected to continue increasing in 2023, although more slowly, meaning many Home Service businesses will have to consider raising their own prices. Additionally, The Conference Board forecasts real GDP growth to slow to 0.3% in 2023 before rebounding to 1.6% in 2024.[9]

Regardless of the macroeconomic climate in 2023, Home Service businesses have proved remarkably resilient and will continue to outperform the broader economy. There is still incredible opportunity and demand for these types of services and the future looks bright.

Methodology & Data Sources

[1] The small business data provided is from the U.S. Small Business Administration Office of Advocacy. The specific metrics shared are from a Research Summary published by the organization, as well as an annual FAQ they provide.

[2] The Consumer Price Index data is from the U.S. Bureau of Labor Statistics.

[3] Global Supply Chain Pressure Index is a measure published by the Federal Reserve Bank of New York every month.

[4] The year-over-year change in median revenue, number of invoices and invoice sizes have been calculated by aggregating data across a cohort of businesses using Jobber since January 2020. This doesn't include any new businesses that started using Jobber during that period.

[5] Remodeling data was provided by Harvard University's Joint Center for Housing Studies (JCHS).

[6] Digital payment trend is calculated based on all businesses using Jobber since January 2020. This does include new businesses that started using Jobber during the period.

[7] Business applications data and trade school revenue data comes from the U.S. Census Bureau's Advance Monthly Retail Trade Report.

[8] Apprenticeship data comes from the Department of Labor. Specifically, apprenticeship.gov releases detailed apprenticeship data quarterly.

[9] GDP forecasts and US economic condition was summarized from this report published by The Conference Board.

For more information, please contact:

Elana Ziluk
Public Relations, Jobber
elana.z@getjobber.com
1-416-317-2633