



ASX Announcement

Mad Paws Holdings Limited (ASX:MPA)

20 October 2022

MPA Q1 FY23 Revenue Growth of +301% versus prior corresponding period

Mad Paws Holdings Limited is pleased to provide its Appendix 4C cash flow and activity report for the quarter ending 30 September 2022.

Highlights (excluding pro-forma adjustments for Pet Chemist acquisition unless stated)

- **Total Revenue Growth – Marketplace + eCommerce Subscription**
 - Q1 FY23 Unaudited Operating Revenue of **\$5.4 million +301%** vs pcp
 - **September 22 Group pro-forma Operating Revenue run rate of \$23m +85% pcp**
- **Group Gross Merchandising Value and Customers**
 - Q1 FY23 LTM Group GMV of **\$37.5 million** up from \$14.1 million in Q1 FY22
 - Q1 FY23 Group GMV of **\$13.3 million** up **357%** on Q1 FY22
 - Q1 FY23 record of **30,000** new customers acquired **+335% to pcp** while reducing marketing as a % of revenue to **16%** from 19% quarter on quarter
 - **8% reduction** in customer acquisition cost for the group quarter on quarter highlights the success of cross-sale initiatives
- **Marketplace Trading (Pet Services Marketplace)**
 - September 22 Marketplace GMV was a **record high of \$2.7 million** exceeding expectations with continued reductions in CAC
 - Q1 FY23 LTM Unaudited Operating Revenue **\$4.8 million +98%** vs pcp
 - Q1 FY23 Unaudited Operating Revenue of **\$1.5 million +290%** vs pcp
 - Positive Operating EBITDA margin increasing from 9% to 20% vs prior quarter
- **E-Commerce & Subscription Trading (Pet Chemist, Waggly, Dinner bowl & Sash beds)**
 - Q1 FY23 LTM Unaudited Operating Revenue **\$9.2 million +503%** vs pcp
 - Q1 FY23 Unaudited Operating Revenue of **\$3.9 million +306%** vs pcp
- Group Operating EBITDA improved **\$0.4 million to (\$1.4) million** in line with break-even trajectory
- Cash at the end of Q1 FY23 was \$3.5 million
 - **Q2 FY23 seasonal holiday period plus current growth rates experienced predict Q2 FY23 cash flows to be at or around break even** driven by improving operating EBITDA, favourable working capital dynamics and receipt of the R&D tax incentive of \$0.4 million
- Quarterly performance **re-affirms Operating EBITDA break even target by mid calendar year 2023**

Justus Hammer, Co-Founder & CEO commented, our Q1 results are in line with our break-even trajectory, and we exit Q1 FY23 with a revenue run rate of \$23 million, which has been growing at an average of 14%-21% quarter on quarter over past 12 months, as you can see in the charts below. We expect to see further gains in Q2 FY23 as we enter the busiest period for our marketplace and continue to accelerate momentum in our e-commerce and subscription verticals”

“The Q1 results were outstanding and represent a continuation of our momentum from Q4 FY22 leveraging the size and scale of the Mad Paws Group following the acquisition and integration of Pet Chemist.”

“Management continues to focus on our 3 key pillars of

- 1) Profitable revenue growth,

madpaws

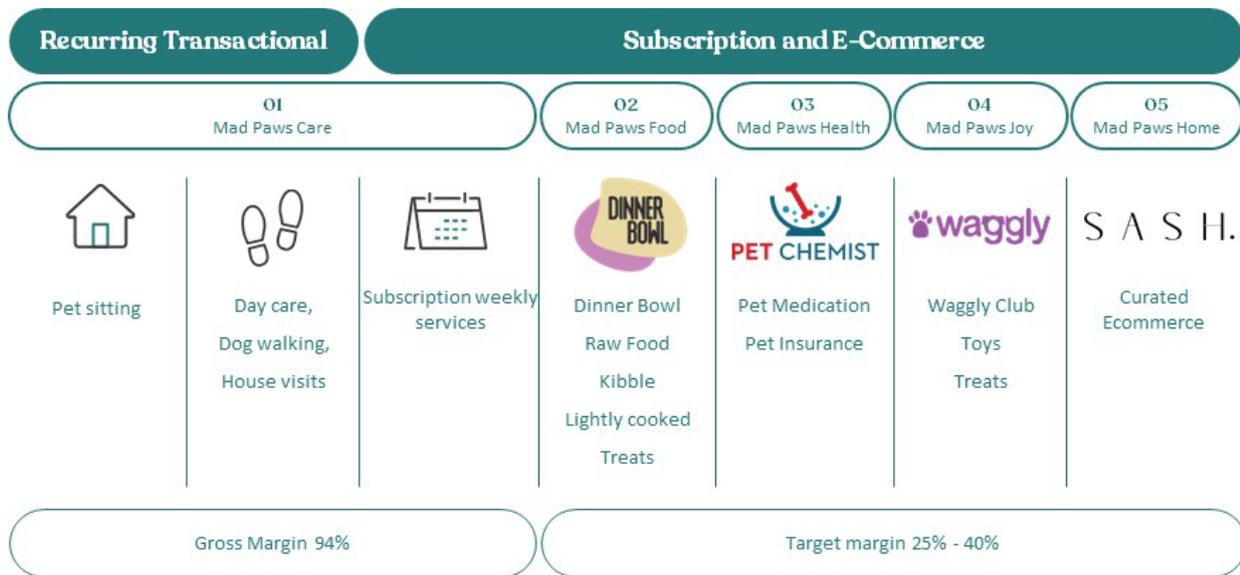
- 2) Prudent cost management, and
- 3) Disciplined capital management

These pillars have combined to achieve record quarterly operating revenues of \$5.4 million in Q1 FY23 while at the same time improving Operating EBITDA margins by 12 percentage points compared to Q4 FY22.”

“This quarter we have seen all businesses perform strongly with the marketplace reaching an all-time high in September, and our e-commerce and subscription businesses scaling nicely with over 306% pcp growth at record low CACs.”

“Focusing on marketing efficiency we were able to drive record new customer acquisition of over 30,000 in the quarter at lower cost, not just for the marketplace but for all parts of the business. This is also the result of prioritising cross-selling between the different verticals.”

Five Distinct Revenue Streams and a Powerful Network Effect

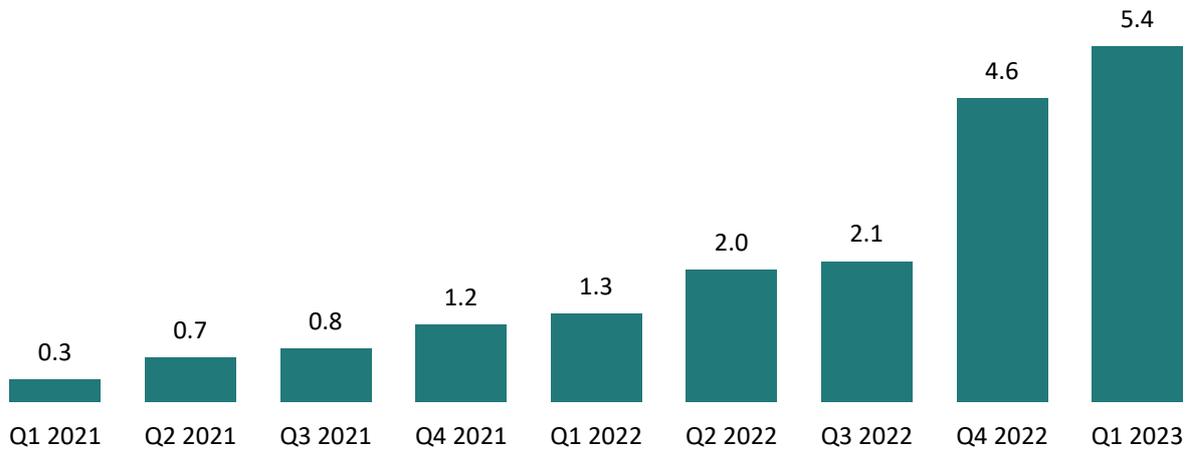


Pathway to Profitability and cash flow break-even

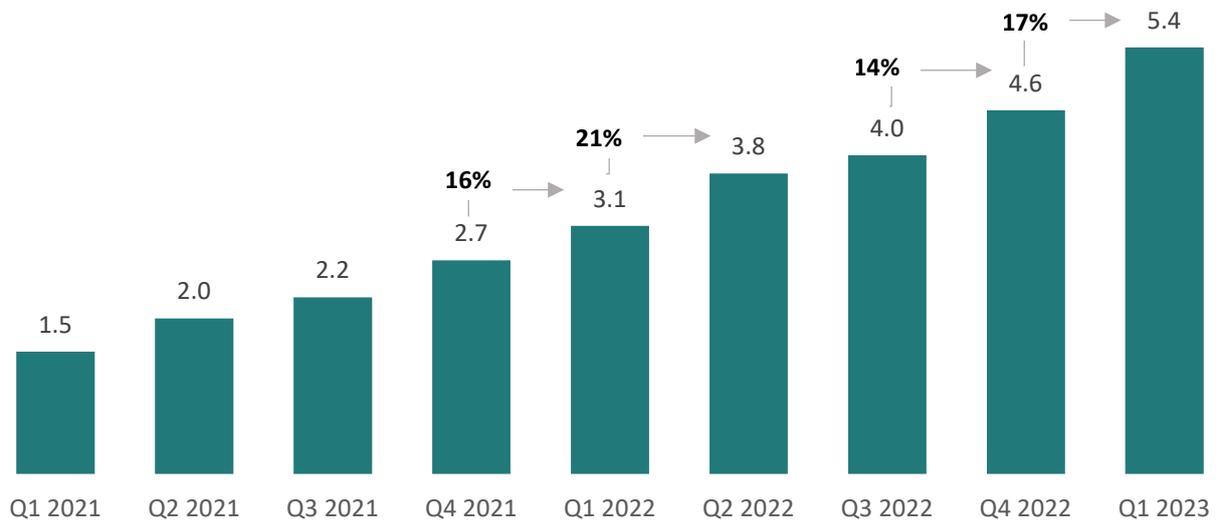
Mad Paws continued to make strong progress towards positive Operating EBITDA in the quarter. We saw continued momentum in driving profitable revenue growth driven by efficient customer repeat rates, cross-sell initiatives and product initiatives driving repeat rates which resulted in another significant improvement of our marketing efficiency.



Group Operating Revenue (unaudited) in millions



Group Pro forma Operating Revenue (unaudited) in millions



Revenue increased 301% from \$1.3 million to \$5.4 million in Q1 FY23, reflecting our entry into complementary revenue streams, the Pet Chemist contribution as well as the continued strong rebound in Marketplace revenues. Marketplace revenues were \$1.5 million in Q1 FY23 an increase of 290% vs Q1 FY22 reflecting the strong new customer acquisition, consistent customer repeat rates and higher booking values. Q1 FY22 was a COVID lockdown impacted period.

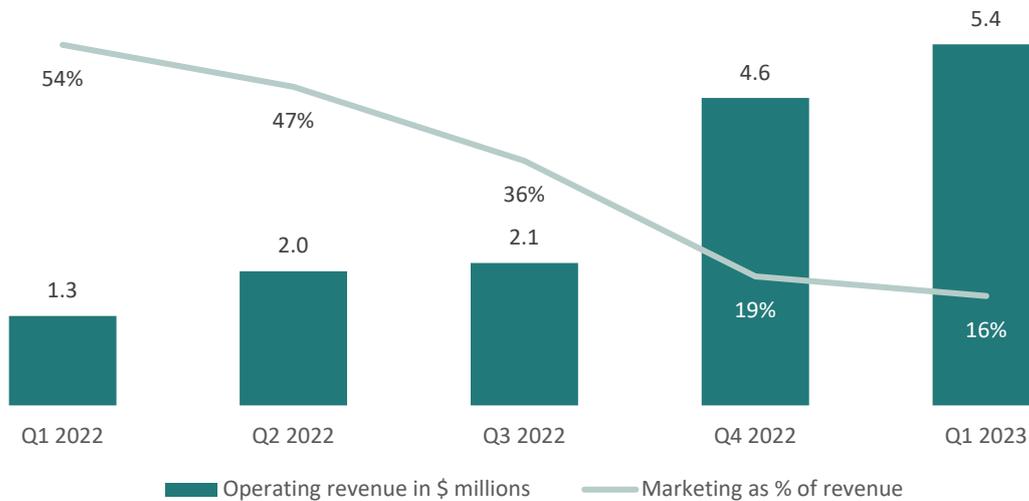
Ecommerce & subscription revenues were \$3.9 million an increase of \$2.9 million from Q1 FY22 and now represent 72% of overall operating revenue. The acquisition of Pet Chemist is a key driver of the growth versus the prior corresponding period. Pet Chemist revenues increased 22% quarter on quarter due to growth in customer acquisition and higher repeat rates through enhanced customer life cycle management.

Waggly, our toys and treats subscription business, accelerated its momentum from Q4 FY22 achieving record levels of customer acquisition at lower customer acquisition cost. Waggly revenues increased 45% versus the prior corresponding period.

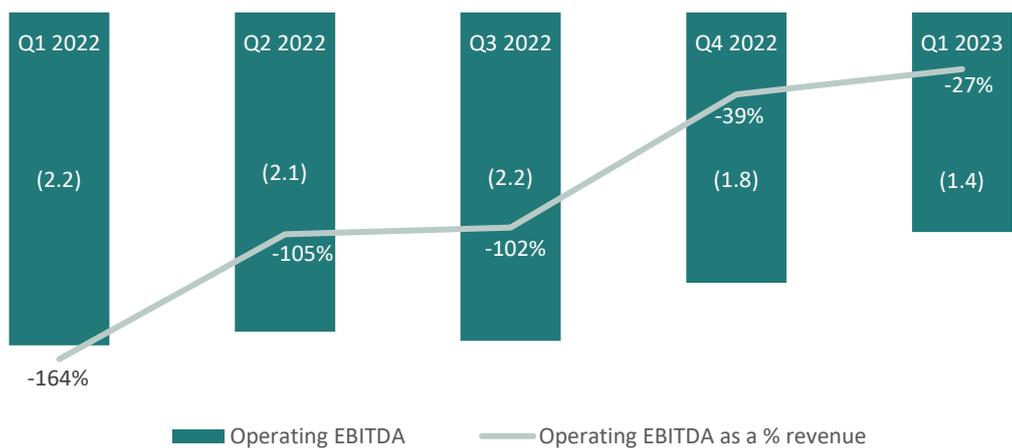
In addition to the improvements in profitable revenue growth, our prudent cost management across all verticals saw additional improvements in group operating EBITDA margins in line with our break-even goals.



Group Marketing as a % of Operating Revenue



Group Operating EBITDA in \$ millions

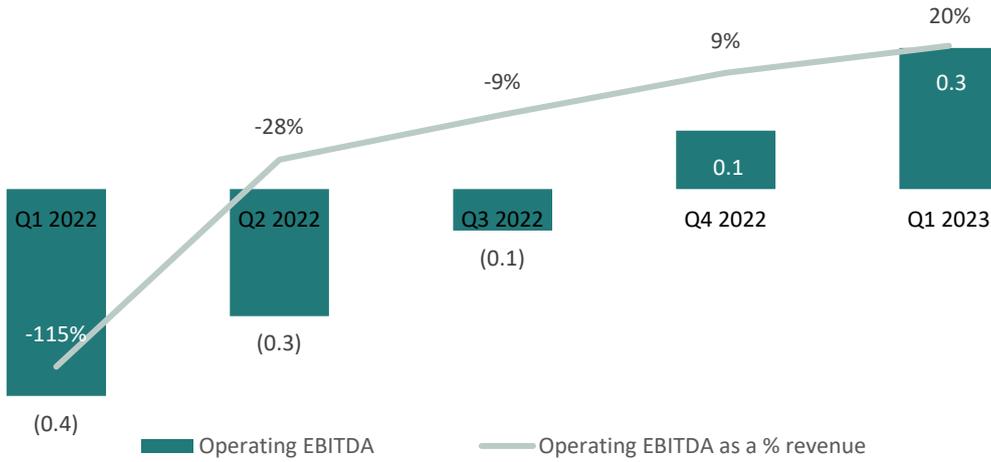


Group operating EBITDA margins improved 12ppt to -27% reflecting the groups focus on profitable revenue growth and prudent cost management. Gross margins in our marketplace were stable at 94% with our e-commerce and subscription vertical gross margins improving 3ppt to 26% reflecting range expansion in higher margin products and sourcing initiatives that offset higher customer delivery costs.

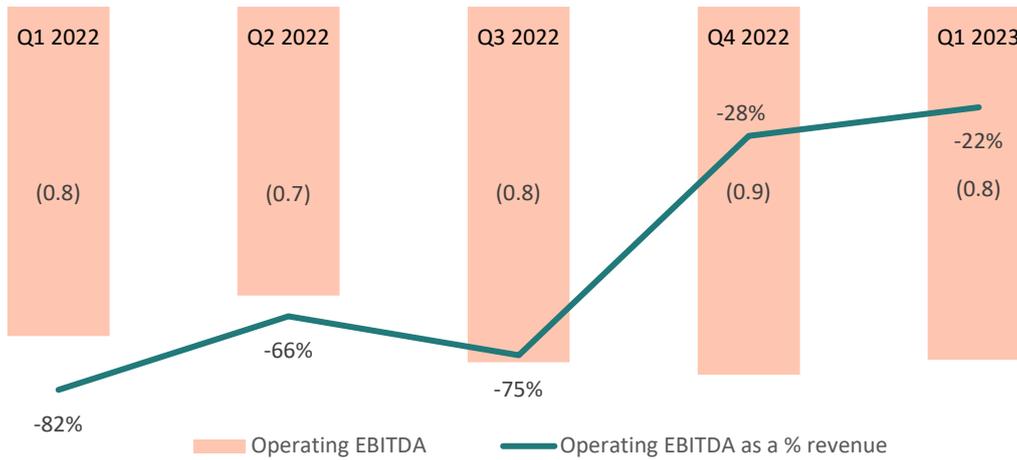
Operating EBITDA margins in both our segments improved versus Q4 FY22. The marketplace achieved Operating EBITDA margins of 20% up from 9% in Q4 FY22 reflecting strong operating leverage and improving Customer Acquisition Costs. E-commerce & subscription Operating EBITDA margins improved 6ppt to -22% due to improving gross margins as well as marketing efficiency improvements.



Marketplace Operating EBITDA in \$ millions

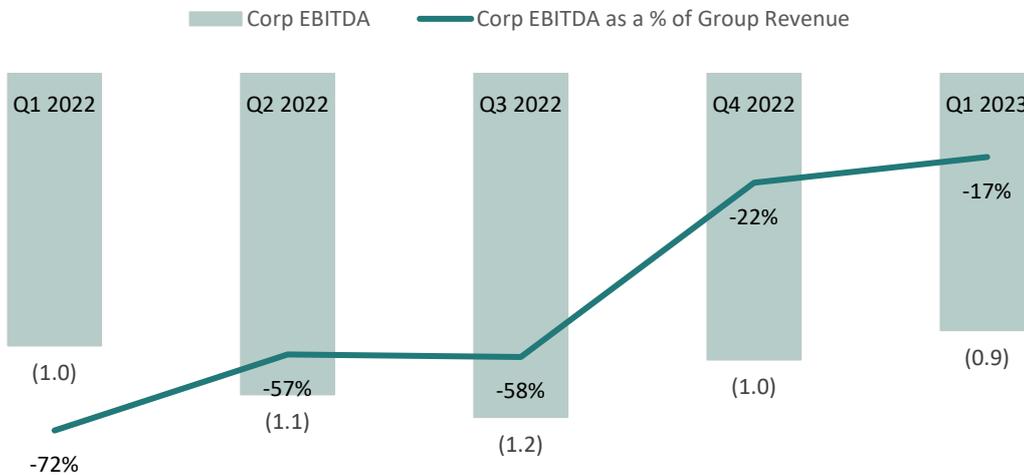


E-commerce & Subscription Operating EBITDA in \$ millions



Our corporate costs remained in line with Q4 and are expected to be stable throughout FY23.

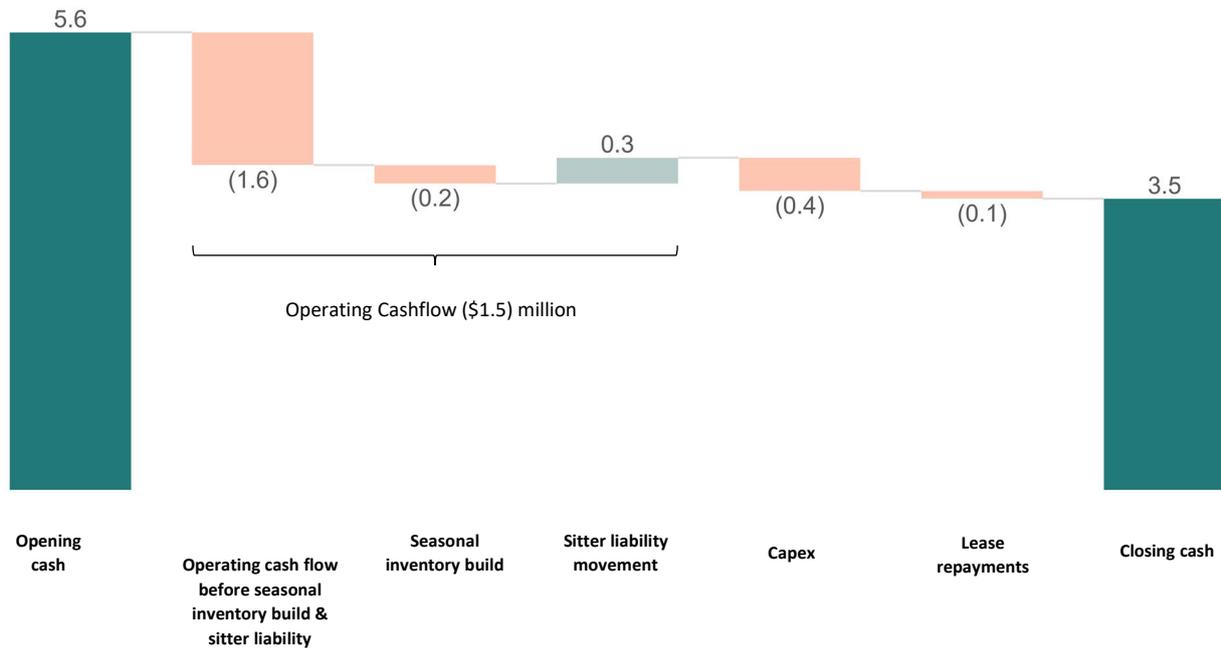
Corporate Operating EBITDA in \$ millions





Cash flow

Q1 FY23 Cash flow bridge in \$ millions



Operating cash outflow before the seasonal inventory build-up and sitter liability movement was \$1.6 million, including seasonal inventory build-up and the sitter liability movement operating cash outflow was \$1.5 million for the quarter.

As previously highlighted our marketplace business has a favourable working capital cycle with the customer paying for the service up front and payment to the pet sitter happening after the service has taken place. There was a favourable cash flow of \$0.3 million due to the continued growth in marketplace bookings and GMV.

We continued to invest in key areas of the pet life cycle in the quarter, with \$0.1 million invested in expanding our warehouse capabilities supporting Pet Chemist and Waggly growth. In addition, we continue to invest in our technology platforms to enhance the user experience across subscription and marketplace platforms totalling \$0.3 million. With overall capital expenditure decrease by \$0.2 million quarter on quarter.

At the end of the quarter Mad Paws has a cash balance of \$3.5 million. With the Group's efficient revenue growth, prudent cost management and disciplined capital allocation seen in Q1 FY23 we are on the right trajectory to achieve breakeven with the capital available. In addition, Mad Paws expects Q2 cash flow to be between breakeven and a low cash outflow due to receipt of the R&D tax incentive of \$0.4 million, continue improvements in EBITDA and favourable working capital dynamics of the marketplace.

As detailed in Item 6.1 of the accompanying Appendix 4C, the Company paid \$118k in relation to CEO remuneration and Directors' fees this quarter.



Use of funds

In accordance with ASX Listing Rule 4.7C.2, Mad Paws provides the following update on its use of funds (unaudited) below.

Use of funds	IPO Prospectus (\$m)	Quarter ended 30 September 2022 (\$m)	Total expenditure post admission to the ASX as at 30 September 22 (\$m)
Marketing/Sales	4.5	0.6	2.6
Operational team	2.8	0.3	2.8
Product Development	2.7	0.3	2.8
Other Working Capital	0.9	0.1	0.9
IPO expenses	1.1	-	1.1
Total	12.0	1.3	10.2

ASX Waiver

The Company received an ASX waiver in February 2022 with regards to Listing Rule 7.3.4 to issue deferred consideration shares to a maximum 15,000,000 ordinary shares no later than 31 December 2024.

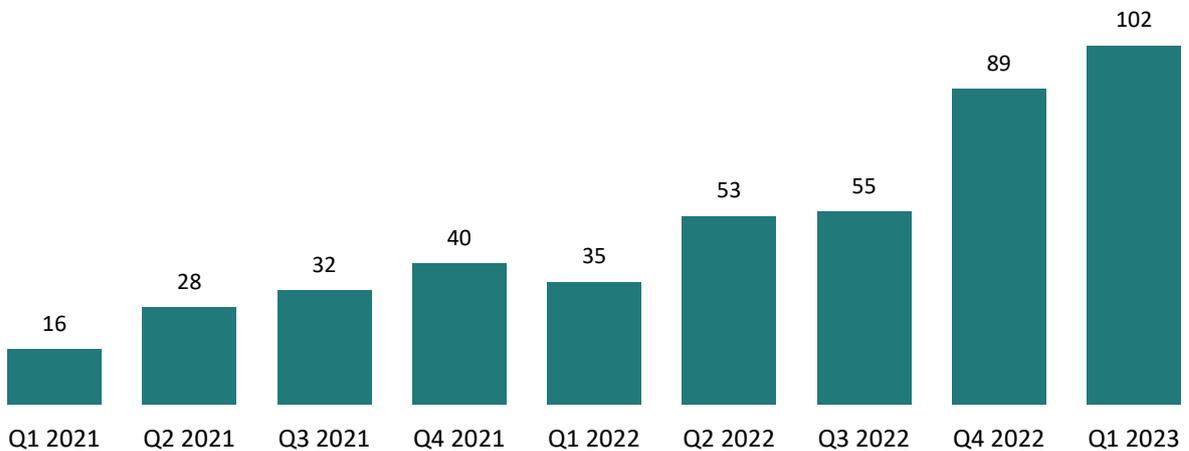
As at 30 September 2022, there were no deferred consideration shares issued and there are up to 15,000,000 ordinary shares remaining to be issued.



Key performance metrics for Q1 FY23

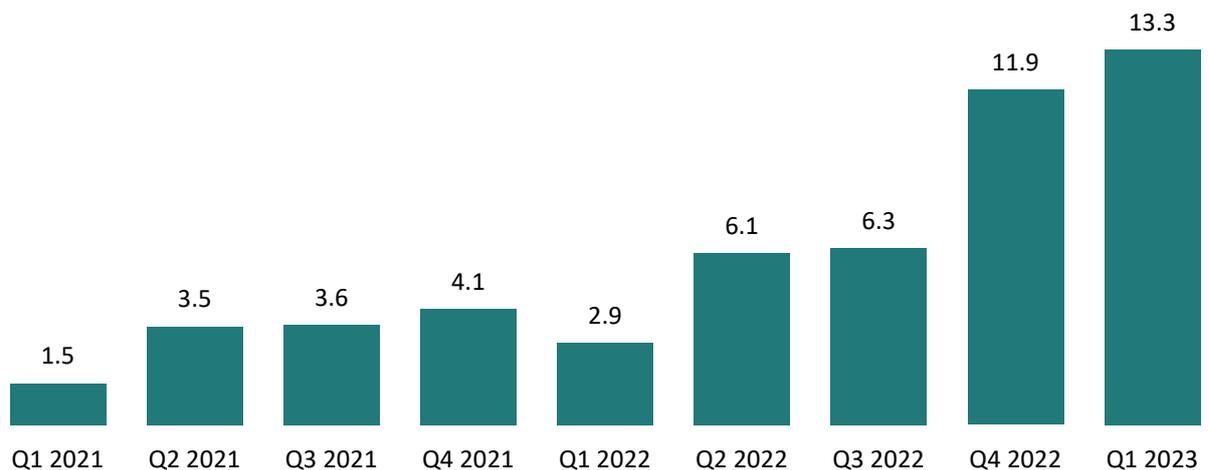
Group metrics

Group Bookings/transactions in 000s



Group Bookings/transactions increased 193% on the prior corresponding quarter, with growth due to the acquisition in Pet Chemist in the previous quarter. In addition to the acquisition benefit, Pet Chemist transactions increased by 23% compared to Q4 FY22 as a result of range expansion, marketing and site optimisations driving new customer acquisition and higher repeat rates. Excluding the impact of the Pet Chemist acquisition the group achieved 90% growth compared to the prior corresponding quarter. Marketplace bookings were up 128% on the prior corresponding period with Q1 FY22 affected by the COVID lockdowns.

Group Gross Merchandise Value (GMV¹) in \$ millions

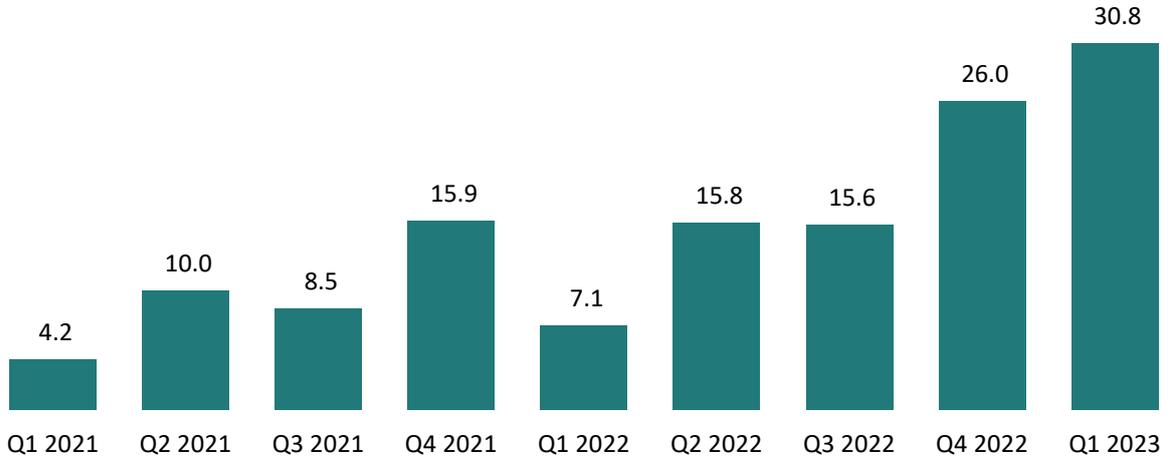


¹GMV is a non-IFRS measure, it represents the total value of transactions processed by All Mad Paws businesses, on a cash basis, before deducting pet service provider payments, cancellations and refunds, chargebacks, discount's and GST.

Group GMV increased by 357%, or \$10.4 million, to \$13.3 million with strong performance across a number of key drivers including new customer acquisition, customer repeat rates, subscription retention and average booking values in Marketplace. Excluding the Pet Chemist acquisition in the quarter, Group GMV increased 201% demonstrating the strong organic growth across our business.



Group New customers in 000s

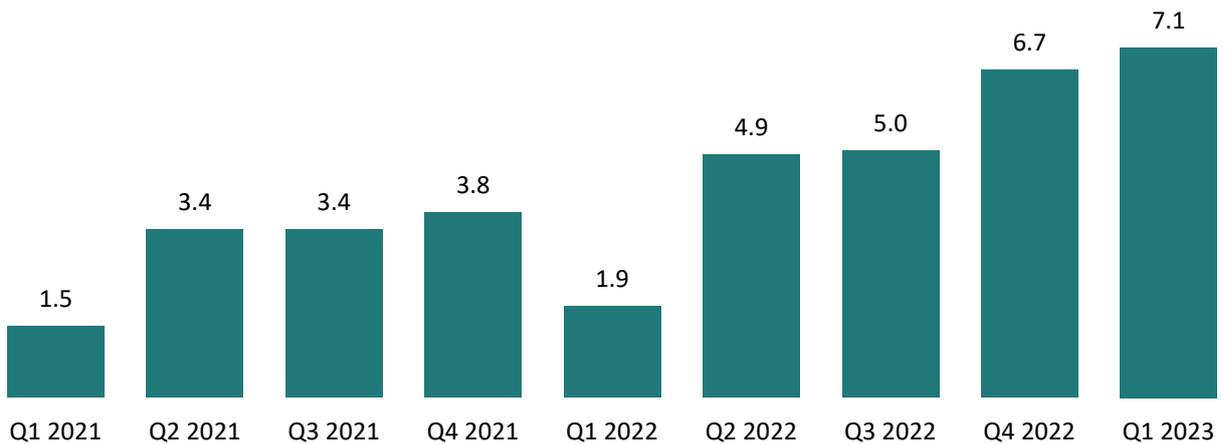


New customers increased 335% in Q1 FY23 vs Q1 FY22 and 19% higher quarter on quarter from a combination of customers acquired with Pet Chemist as well growth for our Waggly, Sash and Marketplace verticals. As previously highlighted, we paused customer acquisition in our Pet Food vertical to stabilise operations and facilitate the move to new product facilities.

Across the group we continue to see improvements in our customer acquisition costs from the greater use of data and analytics, cross-sell initiatives, and the integration of Pet Chemist into the Mad Paws marketing ecosystem. This resulted in further improvement in marketing as a % of revenue which decreased 3ppt to 16% in Q1 FY23.

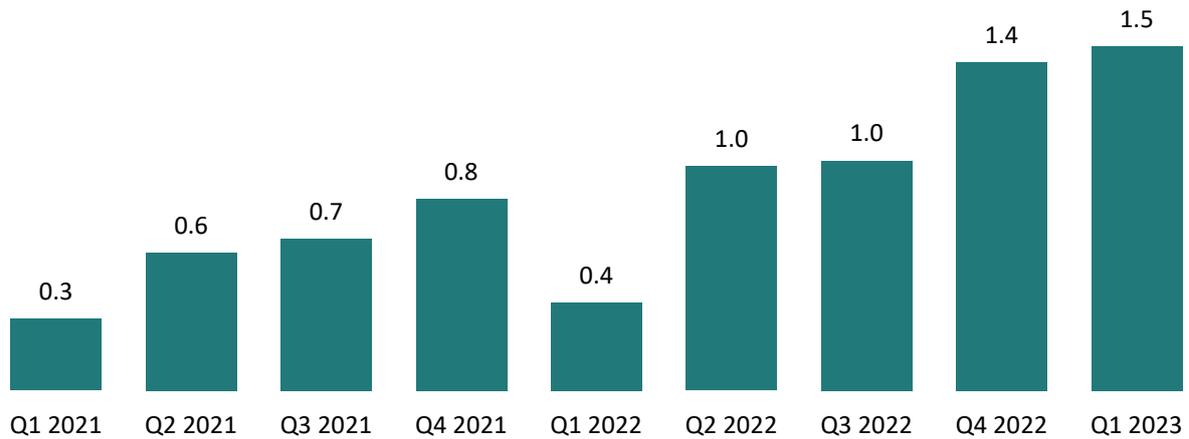
Segment metrics

Marketplace GMV in \$ millions

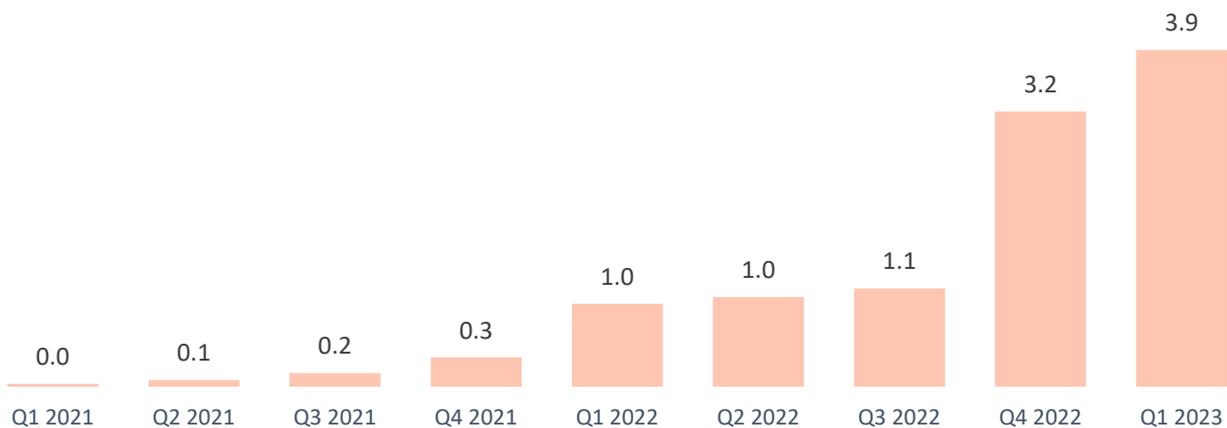




Marketplace Revenue in \$ millions



E-commerce & Subscription revenue in \$ millions



Q1 FY23 Execution milestones

1. Pet Services Marketplace
 - a. First draft of the Mad Paws master brand strategy finalised
 - b. Significantly increased profitability of the marketplace by focusing on efficient customer acquisition and product improvements including ongoing improvements of our search algorithm
 - c. Active sitters have been built up to a record number in preparation of the upcoming Christmas holidays.
 - d. Executed on multiple improvements of our search algorithm which resulted in increased conversions and better matches
 - e. Finalised single data layer for all businesses – allows us to have a single view of a customer across all of our business units.
2. Waggly
 - a. Executed on multiple sign-up offerings which resulted in a significant increase in new customer acquisitions while significantly reducing customer acquisition cost.
 - b. Implement margin improvements through improved buying of products for our boxes as well as acquisition offers
 - c. Significant improvements to our life-cycle management and abandon cart flows resulted in reduced customer acquisition cost



- d. Brand alignment kicked-off
- 3. Pet Chemist
 - a. Achieved record growth with a focus on expanding the product offering
 - b. New marketing set up including cross sale focus resulted in record low customer acquisition cost at record new customer levels
 - c. Switched to new help desk solution, supported by our central Mad Paws customer support team
- 4. Sash Beds
 - a. Finalised new suppliers to increase margins
 - b. Started paid influencer campaigns
 - c. Focus on product expansion

Q2 FY23 Outlook

Q2 FY23 is set to be an exciting quarter for the Mad Paws Group as we continue to execute on our strategy across all businesses and we enter the seasonal peak for the marketplace vertical. The group is focussing on efficient revenue growth, prudent cost management and disciplined management of capital to drive the best outcome for shareholders and we are on track to deliver the goal of break-even EBITDA by mid-way through calendar year 2023.

For our marketplace vertical we are focussing on increasing sitter supply to match owner demand, efficient customer acquisition, continued improvements in our search algorithms and maximising operating EBITDA.

For our subscription and e-commerce businesses, we are looking to accelerate growth while continuing to improve efficiencies in gross margins and new customer acquisition, as well as further leveraging the cross-sell opportunities across our 264,000 customers.

Q2 Seasonal holiday period plus current growth rates experienced predict Q2 cash flows to be at or around break-even driven by improvement in Operating EBITDA margins, favourable working capital dynamics and receipt of R&D incentive of \$0.4 million.

Given significant growth rates achieved we re-affirm break even target by mid calendar year 2023

For the Group, Mad Paws is focused on continuing to grow its share of the Australian pet market while achieving profitability in the medium term. Our Q2 FY23 priorities include:

Q2 FY23 Priorities

- 1. Pet Services Marketplace
 - a. First execution of the master brand strategy
 - b. Execution of maximising X-mas holiday blueprint
 - c. Continued improvements to the search algorithm with a focus on repeat users
 - d. Release pet data capturing for the marketplace – significantly improving the customer experience while enriching our pet dataset
 - e. SEO improvements – doubling down on the success of last quarter
- 2. Pet Product Subscription Offerings
 - a. Focus on sustainable growth
 - b. Continuous improvements on margins with a view to improve cash profile of the vertical
 - c. Brand alignment with the group
- 3. Waggly
 - a. Further scaling of our existing channels – taking full advantage of the x-mas season
 - b. Focus on improvements to the sourcing process
 - c. Start developing toys internally
 - d. Focus on further improving cohorts



- e. Brand alignment kicked-off
- 4. Pet Chemist
 - a. Expand product offering with focus on major brands
 - b. Focus on autoship / recurring orders
 - c. Focus on list building exercise
 - d. Operational improvements – new inventory management automations
 - e. Set up customer service and order processing for additional scale
- 5. Sash Beds
 - a. Always on influencer campaigns
 - b. Launch new product
 - c. Focus on upsell existing customers

-ENDS-

Mad Paws is hosting a Q1 FY23 investor webinar at 10.00am AEST on Thursday 20 October 2022, register on the link below

https://us06web.zoom.us/webinar/register/WN_17UUD7x9S9WWu8kyxQRdaw

investors@madpaws.com.au

This announcement was approved for release by the Board of Directors of Mad Paws Holdings Limited



Term	Definition	Calculation/Comment
GMV	Gross Merchandise Value	GMV is a non-IFRS measure, it represents the total value of transactions processed by Mad Paws, on a cash basis, before deducting pet service provider payments, cancellations and refunds, chargebacks, discounts and GST.
ARR	Annual Recurring Revenue	Annual recurring revenue (ARR) = Closing subscribers at the end of period X Subscription price X 12 months
Operating Revenue	Non GAAP measure of revenue	Operating revenue is revenue recognised in accordance with IFRS before the deduction of promotional voucher cost for subscription customers
Operational EBITDA	Management's core earnings metric	Operational EBITDA (earnings before interest, tax, depreciation, amortisation and non-operating, non-recurring income and costs) is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-specific non-cash and significant items. The directors consider operational EBITDA to reflect the core earnings of the consolidated entity
LTM	Last Twelve Months	Refers to the trailing 12 month period ending on the reporting date, or as otherwise indicated
FCF	Free cash flow before strategic investments	FCF = Free cash flow less maintenance capex excludes strategic marketing and technology investments and sifter liability working capital movements

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Mad Paws Holdings Limited

ABN

39 636 243 180

Quarter ended ("current quarter")

30 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	10,373	10,373
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(8,273)	(8,273)
(c) advertising and marketing	(876)	(876)
(d) leased assets	-	-
(e) staff costs	(2,122)	(2,122)
(f) administration and corporate costs	(622)	(622)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	11	11
1.5 Interest and other costs of finance paid	(16)	(16)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,525)	(1,525)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(5)	(5)
(c) property, plant and equipment	(70)	(70)
(d) investments	-	-
(e) intellectual property	(330)	(330)
(f) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(405)	(405)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other Lease liabilities	(95)	(95)
3.10 Net cash from / (used in) financing activities	(95)	(95)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	5,563	5,563
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,525)	(1,525)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(405)	(405)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(95)	(95)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,538	3,538

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	3,538	5,563
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,538	5,563

6. Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	118
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

Payments in 6.1 relate to CEO remuneration and Director's fees in the quarter

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,525)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,538
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	3,538
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.3
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 20 October 2022

Authorised by: The Board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.