

## **1H FY24 Preliminary Half Year Results**

**Mad Paws Holdings Limited** (ASX:MPA) (**Mad Paws** or **Company**) Australia's leading online pet ecosystem, seamlessly connecting pet owners with high quality services and products, is pleased to release its preliminary, unaudited financials for the six months ending 31 December 2023. All financial results are in Australian dollars and are unaudited.

### **Highlights**

- **Continued revenue growth as Mad Paws builds towards EBITDA break-even**
  - **Group Operating Revenues of \$14.7m** – up 22% on pcp and 30% excluding closed Dinner bowl product lines
  - **Marketplace Operating Revenue of \$4.3m** – up 29% on pcp
  - **E-Commerce Revenue of \$10.4m** – up 19% on pcp, 30% excluding closed product lines
- **Significant improvement in Group Operating EBITDA margins +18 percentage points on pcp**
  - 1H 24 **Segment Operating EBITDA positive at \$1.3m, +255% on pcp**
  - Marketplace Operating EBITDA of **\$1.7 million up from \$0.7 million** in the pcp, **with an EBITDA margin of 40%**
  - Ecommerce & Subscription Operating EBITDA margins **improved to -4% from -18% in the pcp**
- **Secures \$5.25 million strategic investment from Seven West Media (SWM)**
- **Pro forma Closing cash of \$4.85m (inclusive of SWM cash investment) plus \$0.75m undrawn working capital facility. Well-funded to accelerate growth and achieve EBITDA break-even**

Justus Hammer, Co-Founder & CEO commented, *“Our results for 1H FY24 demonstrate the team’s execution against our strategic priorities and the resilience of the Australian pet market. Our trend of profitable revenue growth in 1H 23 has continued in 1H 24, with group revenue for the 1H FY24 growing 30% against the corresponding period in FY23 excluding the closed Dinner bowl product lines. Delivering a \$2.2 million improvement in Group Operating EBITDA to (\$0.4 million). We are also excited to be acquiring new customers at a faster rate than ever before. A result of our cross-sell efforts and focus on driving efficient growth. We have also seen our strongest quarter in terms of life-time value improvements, driving a more loyal and long-term customer base across all verticals.”*

*“Mad Paws is a fast growing, capital light business, being driven by the strong tailwinds of the Australian pet sector. We are already the market leader in both the pet marketplace and pet medicine sectors, but we believe we have only just begun to penetrate this multi-billion dollar opportunity in Australia*

*As announced today we have entered into a partnership with Seven West Media (SWM) to further accelerate the Group’s growth by leveraging SWM market leading media assets to increase our brand and customer awareness across Australian pet owners. The partnership will see SWM invest \$5.25 million into Mad Paws with \$1.25 million in cash and \$4.0 million in media with an option to increase the media investment by an additional \$4.0 million.*



*The partnership represents strong support of the Mad Paws pet lifecycle strategy and will enable us to accelerate our growth"*

## 1H FY24 Preliminary Results Summary (unaudited)

in \$000s	1H 23	1H 24	Change	
			\$000s	%
Marketplace	3,347	4,321	973	29%
Ecommerce	8,672	10,356	1,685	19%
<b>Operating revenue</b>	<b>12,019</b>	<b>14,677</b>	<b>2,658</b>	<b>22%</b>
Cost of goods sold	(6,689)	(7,682)	(993)	-15%
<b>Gross Margin</b>	<b>5,329</b>	<b>6,995</b>	<b>1,665</b>	<b>31%</b>
<i>% of revenue</i>	44%	48%		
Marketing	(1,935)	(1,792)	143	7%
Employment costs	(3,159)	(2,894)	266	8%
Other opex	(1,050)	(1,045)	5	0%
<b>Segment Operating EBITDA</b>	<b>(815)</b>	<b>1,264</b>	<b>2,078</b>	<b>255%</b>
<i>% of revenue</i>	-7%	9%		
Central/Corporate costs	(1,769)	(1,663)	106	6%
<b>Group Operating EBITDA</b>	<b>(2,584)</b>	<b>(399)</b>	<b>2,185</b>	<b>85%</b>
<i>% of revenue</i>	-21%	-3%		
Non operating, non-cash and non-recurring items	(1,376)	(1,890)	(514)	-37%
<b>Loss before income tax benefit</b>	<b>(3,960)</b>	<b>(2,289)</b>	<b>1,671</b>	<b>42%</b>
Income tax benefit	15	125	110	716%
<b>Loss after income tax benefit</b>	<b>(3,945)</b>	<b>(2,164)</b>	<b>1,781</b>	<b>45%</b>
<u>Group Key Performance Metrics</u>				
GMV \$000s	29,243	35,264	6,021.0	21%
Bookings/Transactions 000s	213	242	28.2	13%
New Customers 000s	64	65	1.4	2%

## Commentary

The 1H 24 Operating revenue increased by 22% to \$14.7 million, with marketplace revenue increasing 29% to \$4.3 million and the eCommerce division revenues increasing 19% to \$10.4 million. The Group closed the unprofitable lightly cooked and raw product lines in its Dinner bowl business in FY23, excluding these revenue lines Group revenue increased by 30% compared to 1H 23. The Group continued to make strong progress towards operating on an EBITDA positive basis with Operating EBITDA improving by \$2.2 million (+85%) to (\$0.4 million).

In 1H 24, the Gross Margin also increased by \$1.7 million to \$7.0 million, a 31% improvement versus 1H 23. The Group's Gross Margin was 48%, up from 44% in 1H23 partly due to business unit mix, the closure of Dinner bowl product lines in FY23 and margin initiatives across of Marketplace and eCommerce divisions. At a divisional level, the Group achieved improved margins in 1H 24 with the Marketplace division gross margin increasing to 95% an increase of 1 percentage point and the e-Commerce division gross margin increasing by 3 percentage points to 28%.



In 1H 24, the Group made significant strides towards positive Group Operating EBITDA, led by profitable revenue growth across all segments and focusing on the key strengths of the business. The improvement in 1H 24 Group Operating EBITDA was driven by the following factors:

- EBITDA Margin improvement to (3%), compared to (21%) in 1H 24, including:
  - Marketplace division 40% EBITDA margin, delivering \$1.7 million positive EBITDA or a 131% improvement versus 1H 23
  - e-Commerce EBITDA loss improved to \$0.5m, a 71% improvement on 1H 23, resulting from gross margins improvements, marketing cost optimization and disciplined capital allocation implemented across FY23. This included overall savings following closure of loss making Dinner Bowl product lines, which accounted for \$0.4 million EBITDA loss in 1H 23.
- Central and corporate costs decreased by \$0.1 million a 7% reduction year over year. The focus on prudent cost management continued to drive costs lower in the year.

#### **Non-operating and non-recurring items**

Non-operating and non-recurring items increased by \$0.5 million in 1H 24. This was a result of lower impairment expenses related to the closures of Dinner bowl product lines in 1H 23 and lower deferred consideration expenses related to previous acquisitions, totalling \$0.6 million. These were offset by higher share-based payment expenses of \$0.3 million, and higher depreciation and amortization charges from right of use assets created from the new Pet Chemist warehouse lease and acquisition and internally generated intangible asset amortization, increasing \$0.7 million. Both these share-based payments and depreciation and amortisation charges are non-cash items.

#### **Outlook for the remainder of the 2024 Financial Year**

Mad Paws is set to deliver on our strategy of consolidating our brands and creating Australia's number one pet eco system for products and services. With the marketplace going from strength to strength the team is focused on converting the record number of new customers we acquired in 1H 24 into repeat customers of Mad Paws. Retention is a key focus for 2H 24.

Building on the success we have seen with driving AutoShip customers last quarter, up 114% on pcp, we continue to push initiatives that drive recurring revenue for our eCommerce businesses.

As Mad Paws continues to grow its share of the Australian pet market and achieve EBITDA positive trading in the short term, the key areas of focus include:

- **Brand consolidation** – Continuing to integrate Mad Paws' verticals under the Mad Paws brand in order to drive cross-sell.
- **Marketplace retention** – Enhance overall platform experience through greater use of data science, removing owner and sitter friction points to create a platform that is loved
- **Cross-sell expansion** – Leveraging data and a centralised CRM to provide personalised offers and solutions for customers. A Mad Paws loyalty offering is also planned, driving our share of wallet and decreasing customer acquisition cost for the verticals.
- **Scale private label products** – Continuing the success of private label products across the E-commerce business. First private label product for Pet Chemist about to go live.
- **Pet Chemist AutoShip expansion** – Slight refocus on what we are good at, concentrating on higher margin categories particularly in the health and specialty food and supplements area.

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- **Sash beds international expansion** – continuing to build on the early success of the Sash international launch, with the goal to be contributing positive EBITDA to the Group from Q4 FY24

## 1H 24 Segment results (unaudited)

### Marketplace

	1H 23	1H 24	Change	
			\$000s	%
Operating revenue	3,347	4,321	973	29%
Cost of goods sold	(206)	(218)	(12)	-6%
<b>Gross Margin</b>	<b>3,141</b>	<b>4,102</b>	<b>961</b>	<b>31%</b>
<i>% of revenue</i>	94%	95%		
Marketing	(818)	(897)	(79)	-10%
Employment costs	(1,131)	(984)	147	13%
Other opex	(448)	(502)	(54)	-12%
<b>Segment Operating EBITDA</b>	<b>745</b>	<b>1,720</b>	<b>975</b>	<b>131%</b>
<i>% of revenue</i>	22%	40%		
<u>Marketplace Key Performance Metrics</u>				
GMV \$000s	15,569	18,685	3,116	20%
Take rate %	24.2%	26.8%	2.6%	11%
Bookings 000s	83	94	11	13%
New customers	23	25	1	6%
Average booking value	187	198	11	6%

#### Notes

Take rate is calculated on a booked basis

In 1H 24, the Marketplace division delivered 29% operating revenue growth to \$4.3 million. This growth resulted from an 11% increase in bookings versus 1H 23, with average booking values increasing 6%. Overall, this led to a 20% increase in Marketplace Gross Merchant Value for 1H 24.

The Marketplace division take rate improved 2.6 percentage points in 1H 2024 as the Group passed on increased service fees and continued to invest in sitter and owner features that improved the user experience.

The Marketplace division has strong operating leverage as revenue grows, with the cost base increasing at a much lower rate. In 1H 24, the Marketplace division Operating EBITDA was \$1.7 million, an improvement of \$1.0 million or 131% compared to 1H 23. The improvement in 1H 24 EBITDA was in line with the divisions revenue growth further demonstrating the high operating leverage as well as demonstrating the team's improvements in reducing technology cost as a % of revenue. 1H 24 EBITDA margin for the Marketplace division was 40%.

	1H 23	1H 24	Change	
			\$000s	%
Operating revenue	8,672	10,356	1,685	19%
Cost of goods sold	(6,483)	(7,464)	(980)	-15%
<b>Gross Margin</b>	<b>2,188</b>	<b>2,892</b>	<b>704</b>	<b>32%</b>
<i>% of revenue</i>	25%	28%		
Marketing	(1,117)	(895)	222	20%
Employment costs	(2,029)	(1,910)	119	6%
Other opex	(602)	(544)	58	10%
<b>Segment Operating EBITDA</b>	<b>(1,559)</b>	<b>(456)</b>	<b>1,103</b>	<b>71%</b>
<i>% of revenue</i>	-18%	-4%		
<i>Ecommerce Key Performance Metrics</i>				
Transactions	130	147	17	13%
New customers	40	40	(0)	0%

In 1H 24, e-Commerce revenue increased 19% to \$10.4 million. Growth was largely driven by our Pet Chemist and Sash brands with the expansion of our private label brands as well increasing number of SKUs from our increased warehouse space in July 23. Excluding the impact of the closed Dinner bowl product lines e-Commerce revenues increased 30%.

During the year, the Group focused on efficient marketing investment in our focus e-Commerce brands Pet Chemist and Sash, which drove an increase in new customers in these brands of 34% and 80% respectively. Overall new customer growth was flat in 1H 24 due to the closure of the unprofitable Dinner bowl product lines and the focus on profitability in Waggly which reduced marketing investment and new customers in these brands.

The Gross Margin in the e-Commerce division increased to \$2.9 million in 1H 24 with Gross Margin improving to 28%. The successful execution of the Group's private label strategy led to an improvement in Waggly box margins and the Group ended the year with over 80% of Waggly subscription boxes filled with home-branded toys. In the Sash business, the Group continued to optimise the supplier mix, sourcing superior quality items at favourable prices.

The Group reduced marketing costs by \$0.2 million in the period partially due to the closure of the Dinner Bowl loss making products lines and the reallocation of marketing spend from Waggly to Pet Chemist and Sash which have demonstrated shorter payback periods.

In 1H24, employment costs increased by \$0.1 million, with a \$0.3 million saving due to the closure of raw and lightly cooked product lines within Dinner bowl, this was offset by additional warehouse and customer support staff required to support order volume growth. As result of operational efficiency improvements employment costs excluding the benefit of the Dinner bowl product closure have increased at below the revenue growth rate.

In 1H 24, the e-Commerce Operating EBITDA loss was \$0.5m and improvement of \$1.3 million or 71% compared to 1H 23.

-ENDS-

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

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### About Mad Paws

Mad Paws operates Australia's leading online pet ecosystem, connecting pet owners with an ecosystem of high-quality services and products. The Mad Paws pet ecosystem supports over 300,000 active pet owners, facilitating over 400,000 transactions last year, driven by the rapid growth in pet ownership and increased spending on pets in this \$30 billion Australian pet market.

For more information: [www.madpaws.com.au](http://www.madpaws.com.au)

### Forward Looking Statements

This Announcement may contain forward-looking statements, including estimates, projections and other forward-looking information (**Estimates and Projections**). Forward-looking statements can generally be identified by the use of forward-looking words such as "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target", "outlook", "guidance" and other similar expressions within the meaning of securities laws of applicable jurisdictions and include, but are not limited to, indications of, or guidance or outlook on, future earnings or financial position or performance of Mad Paws. The Estimates and Projections are based on information available to Mad Paws as at the date of the Announcement, are based upon management's current expectations, estimates, projections, assumptions and beliefs in regards to future events in respect to Mad Paws' business and the industry in which it operates which may in time prove to be false, inaccurate or incorrect. The Estimates and Projections are provided as a general guide and should not be relied upon as an indication or guarantee of future performance.

### Operating EBITDA to net loss reconciliation

in \$000s	1H 23	1H24	Change	
			\$000s	%
<b>Group Operating EBITDA</b>	<b>(2,584)</b>	<b>(399)</b>	<b>2,185</b>	<b>85%</b>
<b>Non operating, non-cash and non-recurring items</b>				
R&D rebate	69	-	(69)	-100%
Share based payments	(237)	(537)	(300)	-127%
Depreciation and amortisation	(453)	(1,149)	(696)	-154%
Deferred consideration - linked to remuneration	(304)	2	306	101%
Impairment of assets	(322)	-	322	100%
Other non-operating items	(118)	(103)	15	13%
Interest revenue	17	10	(7)	-42%
Finance costs	(29)	(114)	(85)	-297%
<b>Non operating and non cash items</b>	<b>(1,376)</b>	<b>(1,890)</b>	<b>(514)</b>	<b>-37%</b>
<b>Loss before income tax benefit</b>	<b>(3,960)</b>	<b>(2,289)</b>	<b>1,671</b>	<b>42%</b>
Income tax benefit	15	125	110	716%
<b>Loss after income tax benefit</b>	<b>(3,945)</b>	<b>(2,164)</b>	<b>1,781</b>	<b>45%</b>

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	<u>Non GAAP</u> 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 <u>12 month</u> 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 sitter liability working capital movements
LTV	Lifetime Value	Lifetime Value = Customer marketplace GMV after cancellations multiplied by take rate % excluding GST for the period from the point the customer was acquired. Lifetime value is taken for a period of up to 7 years where the data is available for that cohort.