



ASX Announcement

Mad Paws Holdings Limited (ASX:MPA)

19 January 2022

December 2021 Quarterly Update and Appendix 4C

Mad Paws Holdings Limited is pleased to provide its Appendix 4C cash flow and activity report for the quarter ending 31 December 2021.

Highlights

- Q2 FY22 GMV of **\$6.1 million** up **74%** on Q2 FY21
- Q2 FY22 LTM GMV of **\$16.6 million** up from \$8.2 million in Q2 FY21
- Over 133,000 paying pet customers and over 30,000 pet sitters on the platform
- Q2 FY22 Operating Revenue (unaudited) of **\$2.0 million** an increase of **199% (\$0.67m)** compared to Q2 FY21
 - Marketplace revenues of **\$1.0 million** up from \$0.6 million in Q2 FY21
 - Subscription revenues of **\$0.8 million** up from \$77k in Q2 FY21
 - Ecommerce revenues of **\$0.3 million**, a new revenue source following the Waggly acquisition in Q4 FY21 and Sash Beds acquisition in Q2 FY22
- Cash at the end of the quarter of **\$8.9 million**
- **Positive outlook for 2H FY22 with enhancements to the product offering and ongoing growth in GMV and subscribers**

Justus Hammer, Co-Founder & CEO highlighted, "I am pleased to report Mad Paws performed strongly in the quarter. We delivered 199% revenue growth on the prior corresponding period. As COVID restrictions eased we delivered record GMV in our marketplace as well as continued growth in subscription verticals. We continue to make good progress in executing on our growth strategy to broaden our product offering and build complementary subscription revenues.

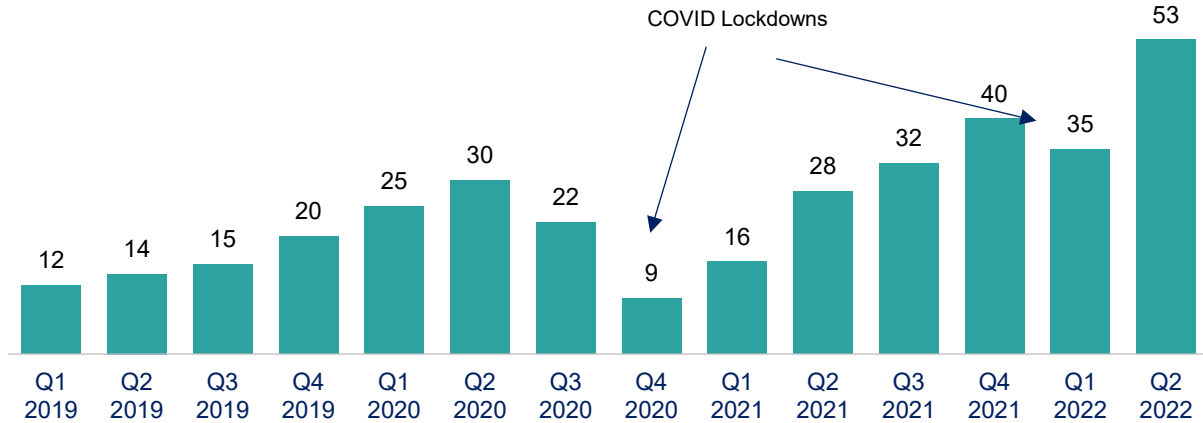
"In our subscription verticals we have experienced accelerated growth over the last 12 months, through the launch of three dog food products and entering of the toys and treats market through the Waggly acquisition. During the quarter we commenced a number of operational initiatives to set these businesses up for scale and to drive margin improvements over the medium term."

"2H FY22 has started positively despite operational challenges associated with Covid. We are focused on executing our vision to provide a broad range of pet services and products to make pet owners' lives and, more importantly, their pets lives' more enjoyable. In 2H we expect to broaden the product offering, increase GMV and continue to build our subscriber base."



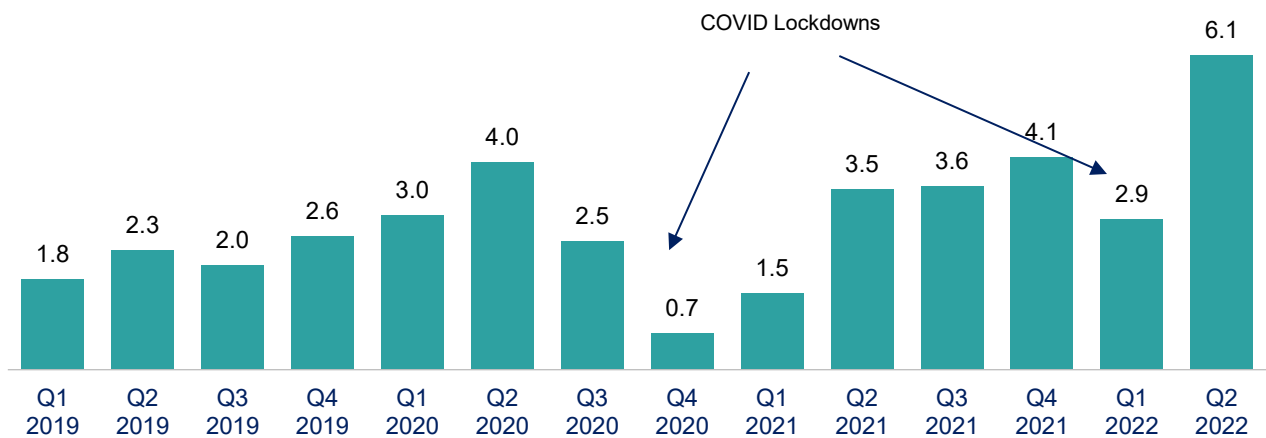
Key performance metrics for Q2 FY22

Bookings/transactions in 000s



Bookings/transactions increased 81% on the prior corresponding quarter, with growth from subscription and ecommerce verticals delivering 70% of the growth. Furthermore, Marketplace bookings increased by 25% on the prior corresponding quarter to 34,000.

Gross Merchandise Value (GMV¹) in \$ millions

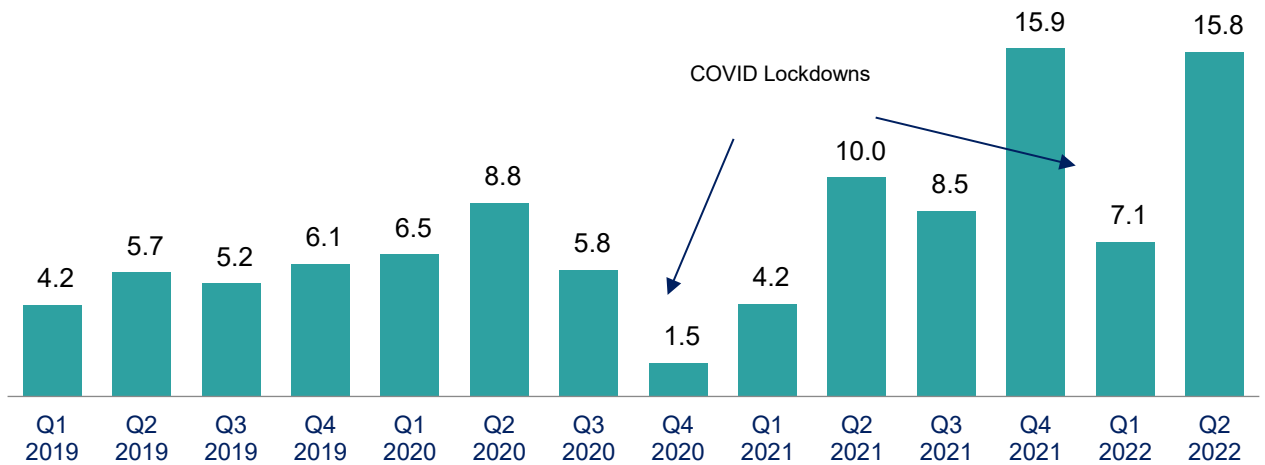


GMV increased by 74%, or \$2.6 million, on prior corresponding period to \$6.1 million with growth coming across all verticals. Marketplace GMV increased 46% or \$1.5 million, to \$4.9 million with half of the increase driven from bookings growth, with the balance coming from higher length of booking as well as sitter rate increases.

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, discounts and GST.

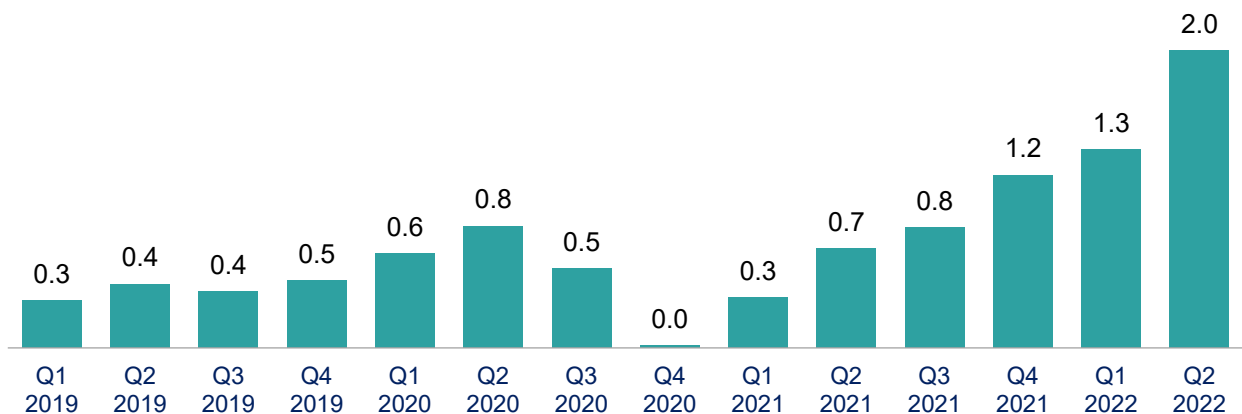


New customers in 000s



New customers increased 57% in Q2 FY22 vs Q2 FY21 returning to levels seen in Q4 FY21 prior to the COVID-19 second wave lockdowns. All Mad Paws verticals have taken a measured approach to customer acquisition via performance marketing channels in the period, with performance marketing CAC decreasing 32% for Marketplace and 19% for subscription compared to the prior corresponding period in Q2 FY21. In addition, we have seen similar improvements in performance marketing CAC compared to Q4 FY21.

Operating Revenue (unaudited) in 000s

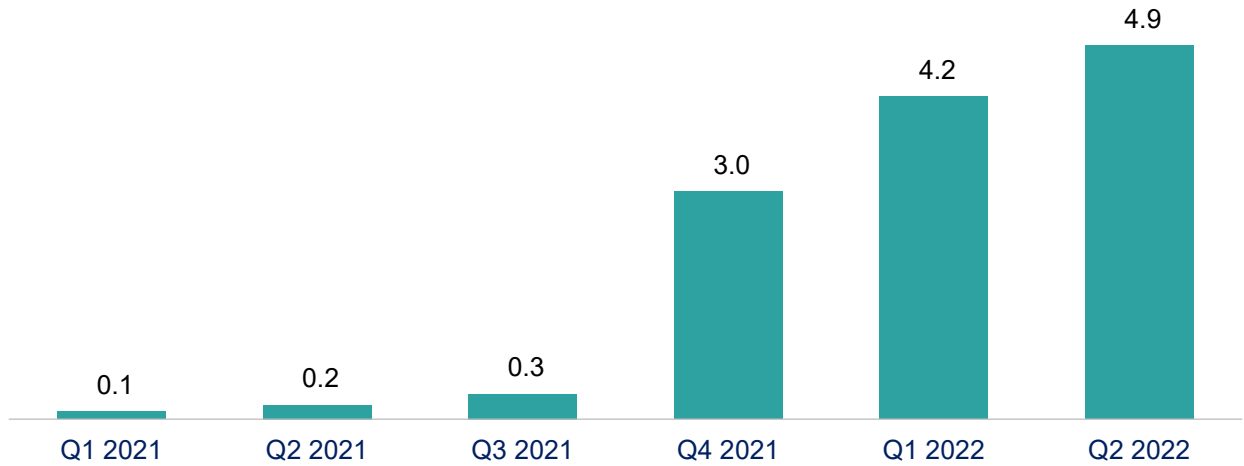


Revenue increased 199% from \$0.7 million to \$2.0 million in Q2 FY22, reflecting our entry into complementary revenue streams as well as a strong rebound in Marketplace revenues. Marketplace revenues were \$1.0 million in Q2 FY22 an increase of 48% vs Q2 FY21 reflecting the strong new customer acquisition and consistent customer repeat rates. Subscription revenues grew by 873% to \$0.8 million for Q2 FY22 reflecting the contribution from the Waggly acquisition in June 2021 as well subscriber growth in Dinner Bowl over the last 12 months. The Waggly subscription business has performed well since acquisition with Q2 FY22 subscription revenue increasing by 51% compared to Q2 FY21 (period prior to Mad Paws ownership) and 25% compared to Q1 FY22. Ecommerce

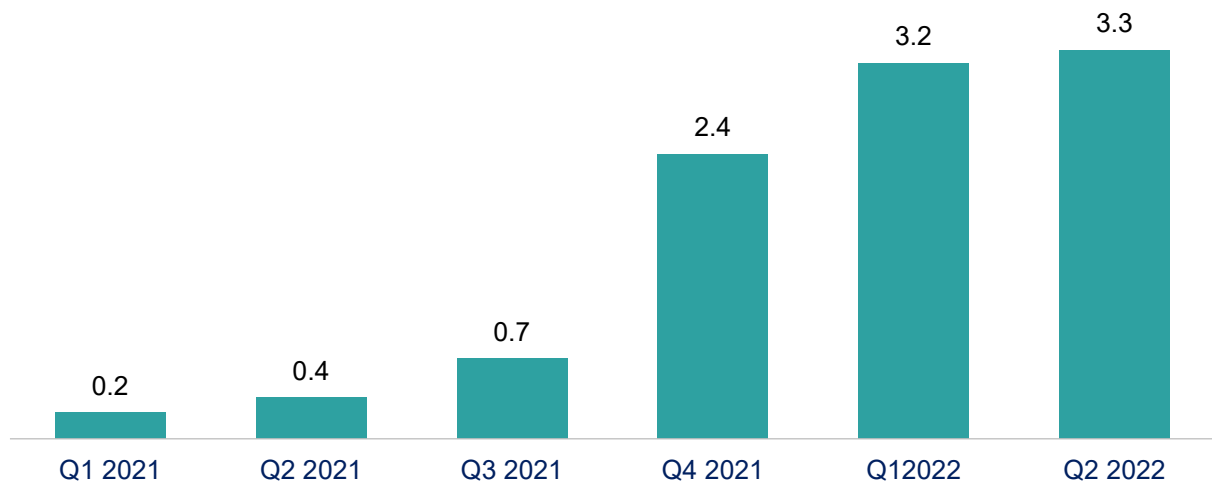


revenues from the Waggly shop and the Sash Beds acquisition total \$0.3 million in the period and now represent 14% of overall operating revenue.

Total Subscribers in 000s



Subscription ARR in \$ millions



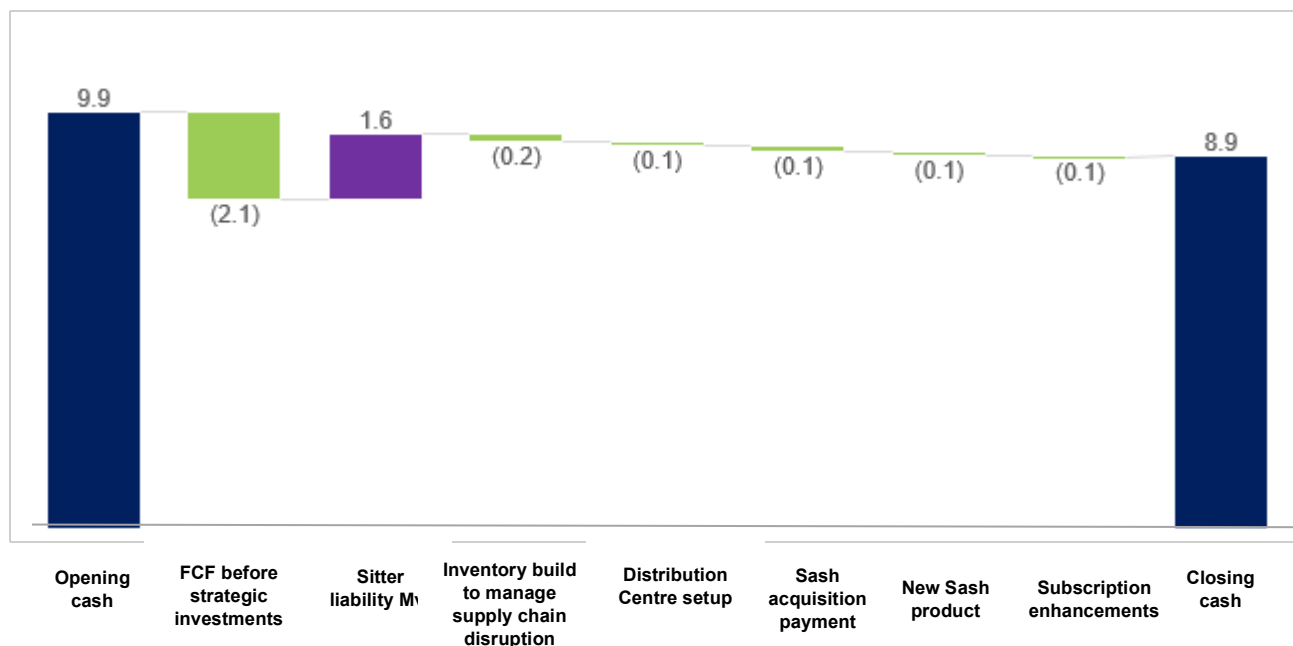
Total subscribers increased 16% on a quarter-on-quarter basis with 668 net subscriber additions in the period. Subscriber growth in the quarter was less than management’s expectation due to a number of factors affecting our pet food subscription business Dinner Bowl. Our focus on launching our lightly cooked offering exceeded expectations, however this resulted in growth in excess of our current production facilities. This coupled with post lockdown staffing challenges meant we needed to slow customer acquisition at the end of the quarter. In addition, we have reviewed our definition of active subscribers and removed subscribers who had skipped for more than 2 months. During Q3 FY22 we will move our lightly cooked kitchen operations into a larger space near our Melbourne distribution centre which will support the next phase of growth. This will improve gross margins and increase operational capacity to support customer acquisition from the start of Q4. Waggly subscribers increased 22% on a quarter-on-quarter basis.

As a result of these effects ARR was flat quarter on quarter increase of 3% to \$3.3 million



Cash flow

Q2 FY22 Cash flow bridge in \$ millions



Free cash outflow before strategic growth investments was \$2.1 million for the quarter, with the rebound of the marketplace this was substantially offset by a favourable movement in the sitter liability.

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 in the quarter from the rebasing of the sitter liability due to bookings made in Q2 FY22 that will settle in Q3 FY22. This will partially normalise in Q3 due to the seasonal booking peak in Q2 FY22.

As a result of the supply chain disruptions affecting many businesses, we increased our inventory in our Waggly business to secure supply coming into Q3 FY22. We will continue to closely manage delivery timelines for key products for the balance of FY22.

As previously announced, we acquired Sash Beds during the quarter, being our first entry into Mad Paws Home. The initial acquisition payment as well as the investment in inventory for new product launches resulted in a \$0.2 million cash outflow in the quarter.

As detailed in Item 6.1 of the accompanying Appendix 4C, the Company paid \$78k in relation to CEO remuneration, Directors' fees since listing and capital raising costs.

At the end of the quarter Mad Paws is well capitalised to invest in strategic growth initiatives with a cash balance of \$8.9 million.

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 31 Dec 21 | Total expenditure post to admission to the ASX as at 31 Dec 21 (\$m) |
|-----------------------|-----------------------|----------------------------|---|
| Marketing/Sales | 4.5 | 0.1 | 1.3 |
| Operational team | 2.8 | 0.7 | 2.1 |
| Product Development | 2.7 | 0.7 | 1.9 |
| Other Working Capital | 0.9 | - | 0.5 |
| IPO expenses | 1.1 | - | 1.1 |
| Total | 12.0 | 1.6 | 6.9 |

Q2 FY22 Execution milestones

1. Pet Services Marketplace
 - a. Migrated to new CRM platform Customer.io
 - b. Improvements to search algorithm that allow us to promote sitters with positive conversion and retention metrics
 - c. Upgraded “Available for the holidays” and Covid vaccinated” batches
 - d. Delivered “refer a sitter” functionality
2. Pet Product Subscription Offerings
 - a. Successfully launched our Dinner Bowl Lightly Cooked range - already our highest selling range now
 - b. Moved our warehousing to our Mad Paws Melbourne warehouse
 - c. Automation planning for our production facility
3. Waggly
 - a. Warehouse move into new warehouse facility that now houses all of Mad Paws brands
 - b. Integration of Waggly into the Mad Paws OKR cycles
 - c. Recruitment of marketing experts to support the inhouse team
4. Pet Life Cycle management
 - a. Integration and scaling of Sash Beds
 - b. Identified and scoped new opportunities in the pet health space

FY22 Outlook

Q3 FY22 has started positively for Mad Paws. For the first 2 trading weeks of January, Marketplace GMV is +45% compared to the prior corresponding period. The Omnicron variant is creating some operational challenges around staffing and logistics. With a more open and unrestricted cross border and state travel environment the outlook for the marketplace is buoyant. We see further upside from the increase in international travel coming later in the year.

For our subscription businesses, the third quarter usually has a slower start due to the January holiday period, however we will continue to see subscriber and revenue growth over the next quarter. With the initial launch of our lightly cooked dog food in Q2 FY22 we will be investing in enhancing our manufacturing and packing capabilities in Q3 and Q4 to set the business up for scale and to achieve the required gross margins.

Mad Paws is following a similar path in the pet space in Australia to the successful growth curve seen in the US. We are early in this growth phase with a huge opportunity ahead of us. With the tailwinds of the accelerating shift to online, large increase in pet ownership since COVID, and the further



expansion of domestic and international travel we are excited by the growth opportunities ahead of us.

With \$8.9 million of cash available at the end of the quarter we have significant resources to execute on the opportunities ahead.

-ENDS-

Mad Paws is hosting a Q2 FY22 investor webinar at 10.00am AEST on Wednesday 19 January 2022, register on the link below

https://zoom.us/webinar/register/WN_XUvcfNMSTqe2-i7hSyZ-cq

For further information, please contact:

Investor queries:

Michael Brown, Pegasus

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



Glossary

| 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. |
| LTM | Last Twelve Months | Refers to the trailing 12 month period ending on the reporting date, or as otherwise indicated |
| 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 |
| ARR | Annual Recurring Revenue | Annual recurring revenue (ARR) = Closing subscribers at the end of period X Subscription price X 12 months |
| 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 |
| FCF | Free cash flow before strategic investments | FCF = Free cash flow less maintenance capex excludes strategic marketing and technology investments and siter liability working capital movements |
| Performance marketing CAC | Performance marketing customer per customer acquired | Includes all performance marketing costs including paid search, social, programmatic (excluded brand, PR and agency cost) and the cost of any promotions e.g. %/\$ discount, giveaways etc./ number of new customers acquired |

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")

31 December 2021

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 5,963 | 8,222 |
| 1.2 Payments for | | |
| (a) research and development | - | - |
| (b) product manufacturing and operating costs | (3,884) | (6,437) |
| (c) advertising and marketing | (962) | (1,478) |
| (d) leased assets | - | - |
| (e) staff costs | (1,605) | (3,117) |
| (f) administration and corporate costs | (382) | (779) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 1 | - |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | 60 | 359 |
| 1.8 Other (provide details if material) | | |
| 1.9 Net cash from / (used in) operating activities | (809) | (3,230) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire or for: | | |
| (a) entities | - | - |
| (b) businesses | (125) | (125) |
| (c) property, plant and equipment | (70) | (73) |
| (d) investments | - | - |
| (e) intellectual property | (53) | (170) |
| (f) other non-current assets | - | |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 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 | (248) | (368) |

| | | |
|---|----------|-------------|
| 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 | - | (28) |
| 3.7 Transaction costs related to loans and borrowings | - | - |
| 3.8 Dividends paid | - | - |
| 3.9 Other (provide details if material) | - | - |
| 3.10 Net cash from / (used in) financing activities | - | (28) |

| | | |
|---|-------|---------|
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of period | 9,917 | 12,486 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (809) | (3,230) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | (248) | (368) |

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

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | - | (28) |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 8,860 | 8,860 |

| 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 | 8,860 | 9,917 |
| 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) | 8,860 | 9,917 |

| 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 | 78 |
| 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, Director's fees since listing and capital raising costs

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

| 7. Financing facilities | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|---|---|--|
| <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> | | |
| 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. | | |
| N/A | | |

| 8. Estimated cash available for future operating activities | \$A'000 |
|--|----------------|
| 8.1 Net cash from / (used in) operating activities (item 1.9) | (809) |
| 8.2 Cash and cash equivalents at quarter end (item 4.6) | 8,860 |
| 8.3 Unused finance facilities available at quarter end (item 7.5) | - |
| 8.4 Total available funding (item 8.2 + item 8.3) | 11 |
| 8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1) | |
| <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: 19 January 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.