



ASX Announcement
20 January 2023

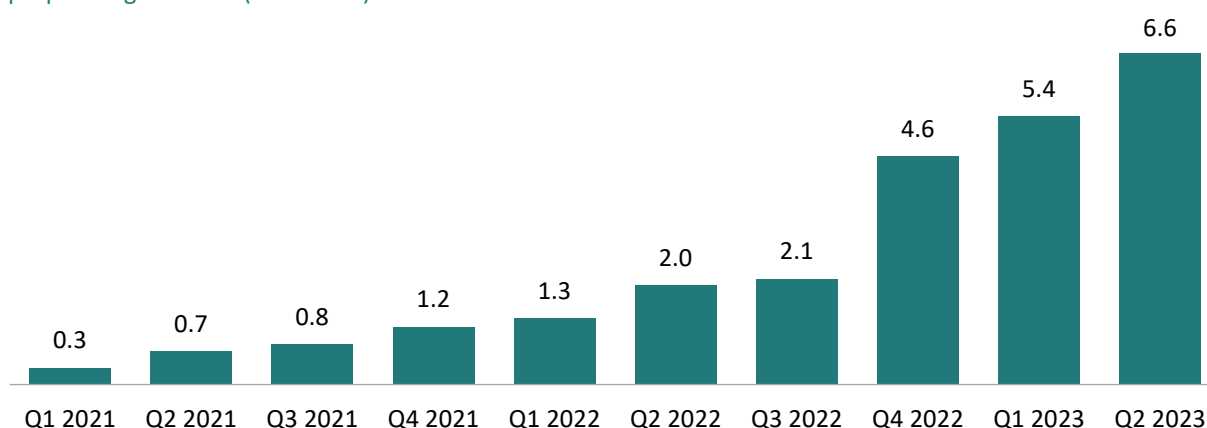
QUARTERLY ACTIVITIES & CASHFLOW REPORT Quarter ended 31 December 2022

Investor Conference Call At 9.00am AEDT on Friday 20 January 2023

Mad Paws Holdings Limited (**Mad Paws** or the **Company**) is pleased to provide its Appendix 4C cash flow and activity report for the quarter ending 31 December 2022 (the **Quarter**). All financial results are in Australian dollars and are unaudited. The operating results of the Group exclude pro-forma adjustments for the Pet Chemist business acquired on 1 April 2022 unless otherwise stated.

Highlights for the Quarter

Group Operating Revenue (unaudited) in millions



- **Strong growth in Group Operating Revenues increasing to \$6.6m for Q2 FY23**
 - Group Operating Revenues **up 232% on Q2 2022** and up **75% on a pro-forma basis**
 - Continuing strong revenue outlook with **current operating revenue exit run rate of \$30m p.a.**¹
- **Accelerating customer acquisition**
 - **Record 33,000 new customers in the Quarter (up 108% on Q2 FY22)**
 - New cross selling and promotional strategies across the business lines delivering greater efficiencies
 - Marketing costs as a % of revenue down to 16% (from 47% in Q2 FY22)
- **Marketplace trading reflects strong rebound in post COVID travel with record \$8.5m GMV for the Quarter**
 - Marketplace business delivers **\$1.9m Operating Revenue for the Quarter – up 94% on pcp**
 - Higher operating leverage delivers **EBITDA margin of 24% for the Quarter** (20% in Q1 FY23)
- **E-Commerce & Subscription businesses generate \$4.8m revenue for the Quarter – up 360% on Q2 FY22** (Pet Chemist, Waggly, Dinner bowl & Sash beds)
 - **Pet Chemist achieves record month** in November 2022 – **over \$1.15 million** in Operating Revenue
 - **Realignment of Dinner Bowl strategy** to focus on high margin pet food lines by outsourcing lightly cooked and raw food lines to a local industry leader. Mad Paws focusing on its core strength of driving demand through its existing customer base – expected savings of \$0.2m per quarter from January 2023
- **Quarterly EBITDA improves by \$0.3m – on track for Operating EBITDA break even target by mid-2023**

¹December 22 Exit run is based on the Group operating revenue for December multiplied by 12



- **Cash balance at 31 December 2022 of \$3.3m (\$3.5 at 30 September 2023)** – with positive operating cash flow in the Quarter of \$0.2m (includes \$0.4m received from R&D rebate)

Justus Hammer, Co-Founder & CEO commented, *“Our results for this Quarter demonstrate both a strong rebound in trading post COVID and the early signs of the success of our pet life-cycle strategy to expand the share of wallet from adding different products and services into the Mad Paws pet ecosystem. Our trend of strong profitable revenue growth in 2022 has accelerated, with group revenue for the Quarter growing 75% against the corresponding quarter in 2021 on a pro-forma basis as well as our achievement of record months for both the Marketplace and Pet Chemist business. We are also excited to be acquiring new customers at a faster rate than ever before, which is a result of our improved customer retention strategies, driving a more loyal and long term customer base across all verticals.”*

“This Quarter, we have seen all businesses perform strongly with the Marketplace reaching an all-time high in December, traditionally its busiest period, and our e-commerce and subscription businesses continuing to scale with over 360% growth to achieve record operating revenues of \$6.6m for the Quarter while also delivering significant improving Operating EBITDA margins.”

“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 alone as we continue to build awareness and shift pet owners from traditional suppliers of these products and services. We believe we now have the base to achieve our future success, which will be built around our 3 key pillars of

- 1) *Profitable revenue growth,*
- 2) *Prudent cost management, and*
- 3) *Disciplined capital management.”*

Future Outlook

Pathway to profitability and cash flow break-even

This Quarter, Mad Paws continued to make strong progress towards the goal of operating on an EBITDA positive basis. This was achieved by a combination of efficient customer acquisition through site optimisation initiatives in our ecommerce brands, improved customer repeat rates driven by the launch of customer lifecycle management in Pet Chemist as well a number of customer experience and product initiatives for all our verticals.

Mad Paws performed a strategic review of all business units during the Quarter, and as result of this review the focus of the Dinner Bowl brand has been re-aligned by discontinuing the lower margin product lines. The Dinner Bowl business will now operate using an outsourced third-party manufacturer, focusing on a lead generation model for other food manufacturers, which will save the Dinner Bowl business \$0.2m per quarter from January 2023.

Overall, the Marketplace business improved on its already positive EBITDA profile and this is expected to continue. In the E-commerce offering, Pet Chemist is adding good diversification, generating approximately the same revenues as the Marketplace business on a close to breakeven basis.

Outlook for the remainder of the 2023 Financial Year

Moving forward into 2023 and the remainder of FY23, Mad Paws is seeking to deliver long term sustainable value by improving customer growth and retention, while at the same time building share of wallet. Mad Paws is focused on continuing to grow its share of the Australian pet market while achieving profitability in the medium term.

The key short-term goal is to create a single platform for customers to book or buy Mad paws products and services reducing friction for our customers and allowing us to cross sell existing customers to increase our share of wallet.

For our marketplace vertical, Mad Paws will focus 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, Mad Paws will seek to accelerate growth by improving efficiencies in gross margins and new customer acquisition, as well as further leveraging the cross-sell opportunities across our 328,000 customers. This will be aided by product range expansion, where we have seen significant success with nearly 500 additional SKUs added to the Pet Chemist business in the last 6 months alone.

Considering the current capital market sentiment globally, Mad Paws remains highly focussed on efficient revenue growth, prudent cost management and disciplined management of capital to drive the best outcome for shareholders. Based on current trading, Mad Paws believes it is still on track to deliver the goal of break-even EBITDA by mid-way through calendar year 2023.

Investor Call details

Mad Paws' CEO, Justus Hammer is hosting an Investor Webinar at 9.00am AEDT on Friday 20 January 2023 to discuss the results of the Quarter and the future business outlook. Shareholders and investors wishing to attend the Investor Webinar can register to attend using the link below:

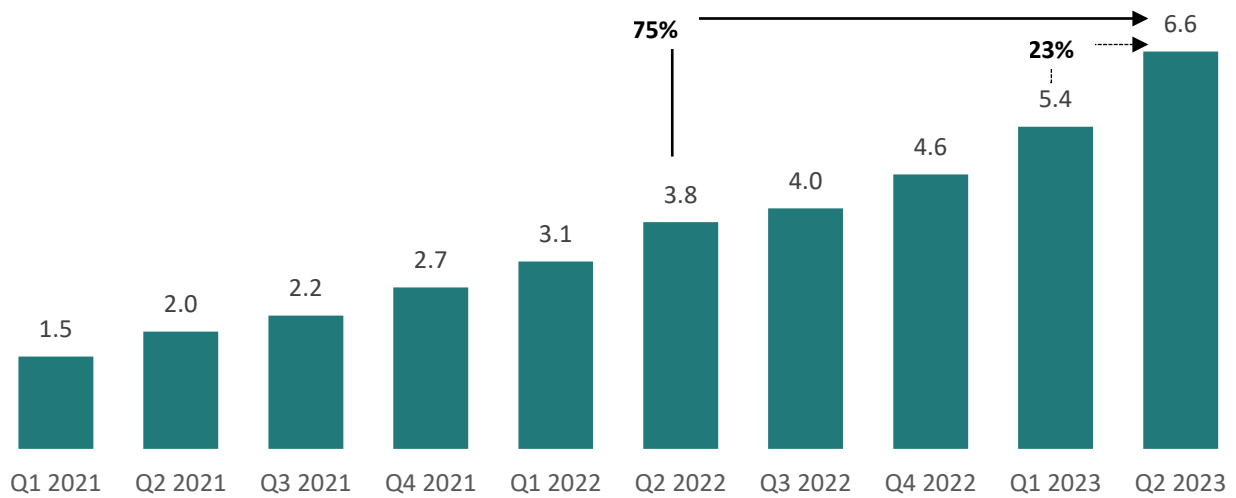
https://us06web.zoom.us/webinar/register/WN_jc_3BfSqQlScVHosbfjsFA

investors@madpaws.com.au



Detailed Trading results

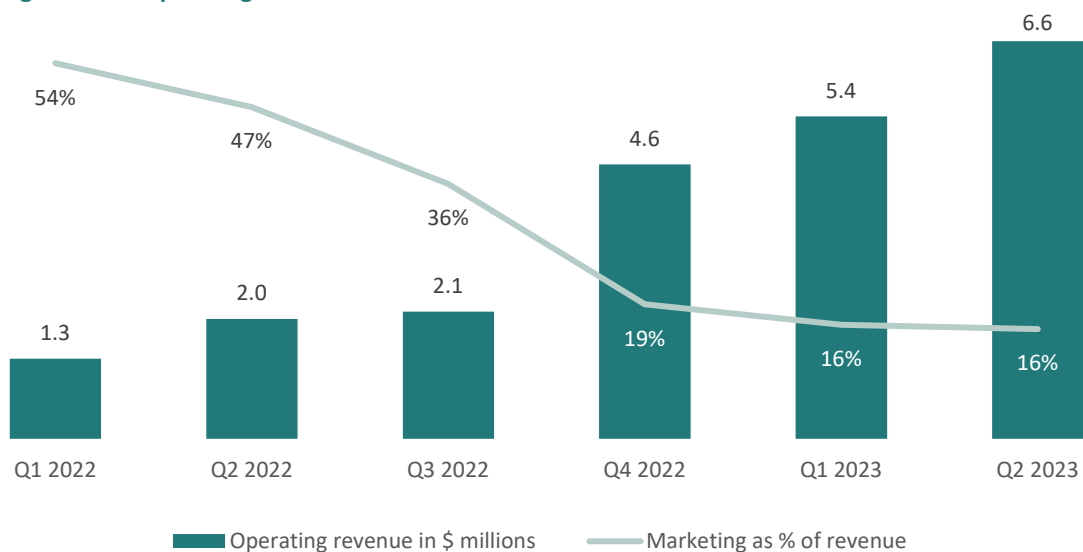
Group Pro-Forma Operating Revenue (unaudited) in millions



Group pro-forma Operating revenue increased 75% from \$3.8 million in Q2 FY22 to \$6.6 million in Q2 FY23, and 23% on a quarter-on-quarter basis. The growth reflects strong performance in our Marketplace vertical driven by continued growth in new customers +9% vs pcp, repeat customer bookings increase +26% vs pcp combined with higher average booking values and take rate % improvements.

Pro-forma ecommerce & subscription revenues were \$4.8 million, an increase of \$1.9 million from Q2 FY22 and 22% on a quarter-on-quarter basis. The Pet Chemist business, acquired in April 2022, continues to accelerate post acquisition with revenue increasing 69% on a pro-forma basis and achieving a record month of \$1.15 million in November 22. The Pet Chemist growth is due to a number of factors including higher new customer acquisition +45% vs pcp, improvement in repeat customer transactions +62% vs pcp as well as the implementation of our range expansion strategy which increased the proportion of over-the-counter orders to 58%. In addition, Waggly revenue increased by 50% vs Q2 FY22 driven by the continued success in new subscriber acquisition and stable attrition rates.

Group Marketing as a % of Operating Revenue

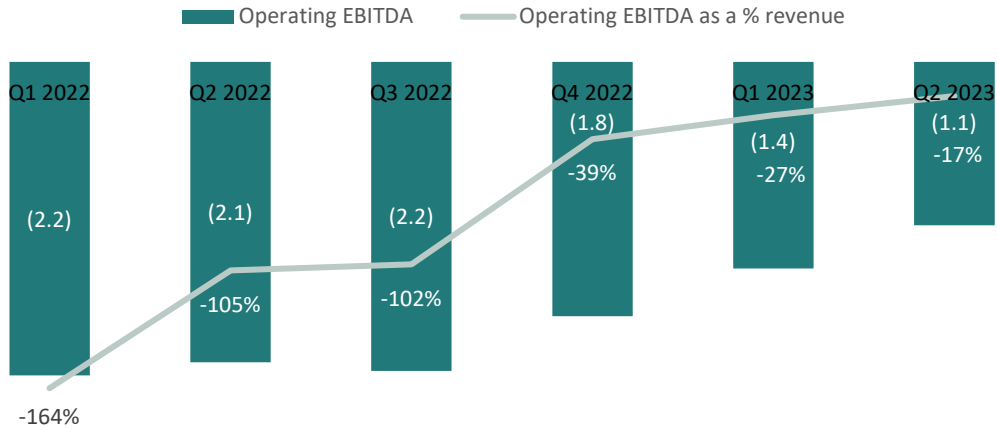


Marketing as a % of revenue was 16.0% a 31% improvement vs pcp. The year over year improvement is driven by the implementation of data driven strategies in the marketplace and the focus on SEO that have reduced the blended CAC. In our eCommerce and subscription vertical the acquisition of Pet Chemist (with its favourable customer acquisition

madpaws

economics) had a significant impact. In addition, we have implemented a number of website conversion optimisations that have improved new customer conversion rates as well as implemented a number of sourcing strategies to reduce the cost of our subscription offers.

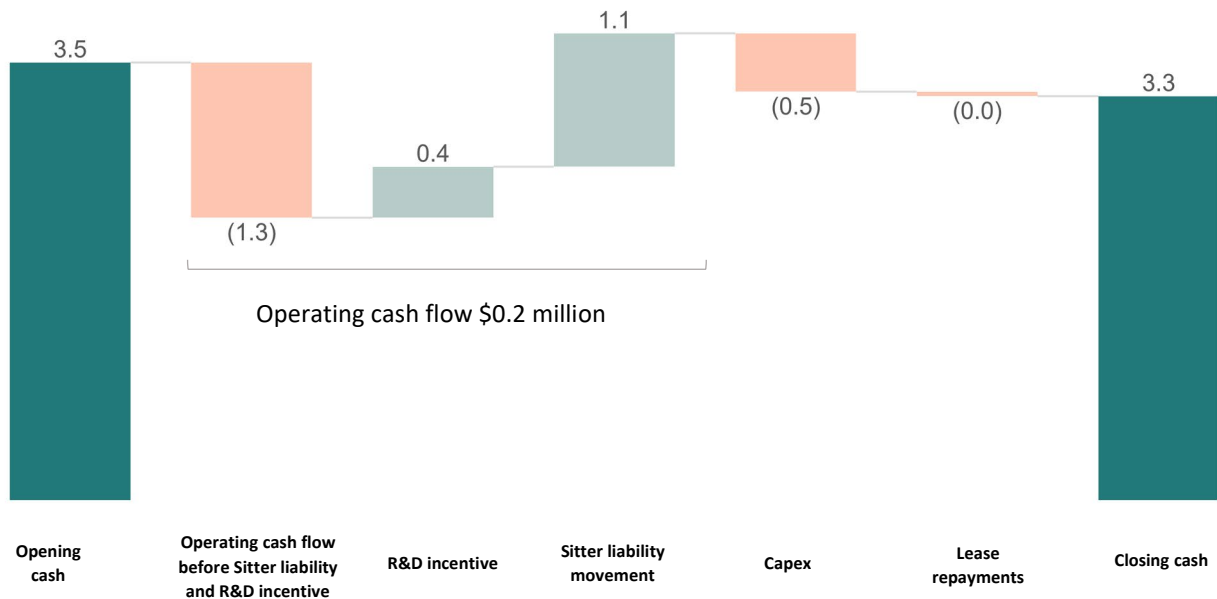
Group Operating EBITDA in \$ millions



Group operating EBITDA margins improved 10 percentage points on a quarter-on-quarter basis and are the result of the revenue growth achieved in the Quarter as well as stable vertical and corporate operating costs.

Corporate & Cash flow

Cash flow bridge for the Quarter



Operating cash inflow for the Quarter was \$0.2m and in line with expectations, reflecting the improving operating results, receipt of the R&D incentive and the favourable working capital dynamics of the marketplace. 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.

Mad Paws continued to invest in key areas of the pet life-cycle in the quarter, with \$0.4m invested in product initiatives in our marketplace vertical and \$0.1m in warehouse and general capital expenditures.



At the end of the Quarter, Mad Paws has a cash balance of \$3.3 million. Based on current trading and expectations, with the Group's prudent cost management and disciplined capital allocation, we still expect to achieve cashflow breakeven with the capital available.

As detailed in Item 6.1 of the accompanying Appendix 4C, the Company paid \$119k 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 31 December 22	Total expenditure post admission to the ASX as at 31 December 22 (\$m)
Marketing/Sales	4.5	1.0	3.6
Operational team	2.8	-	2.8
Product Development	2.7	0.1	2.8
Other Working Capital	0.9	-	0.9
IPO expenses	1.1	-	1.1
Total	12.0	1.1	11.3

ASX Waiver

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

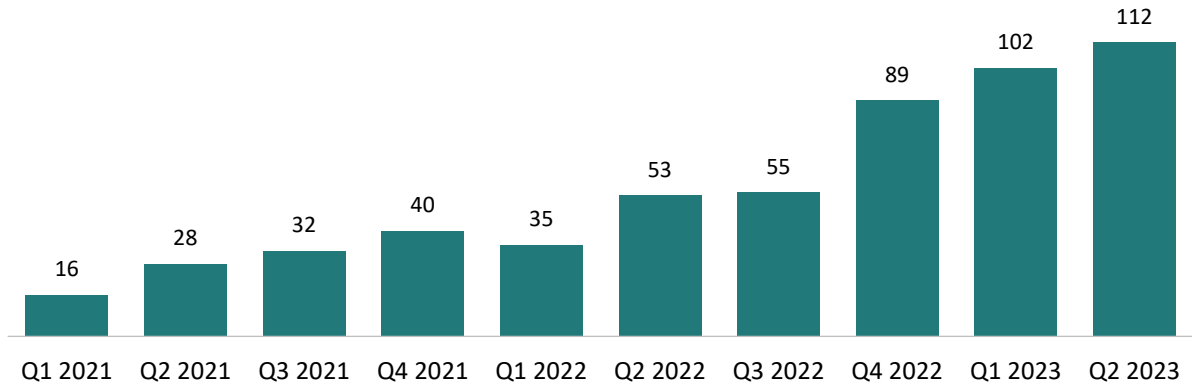
As at 31 December 2022, there were no deferred consideration shares issued and there are up to 15,000,000 ordinary shares remaining to be issued.



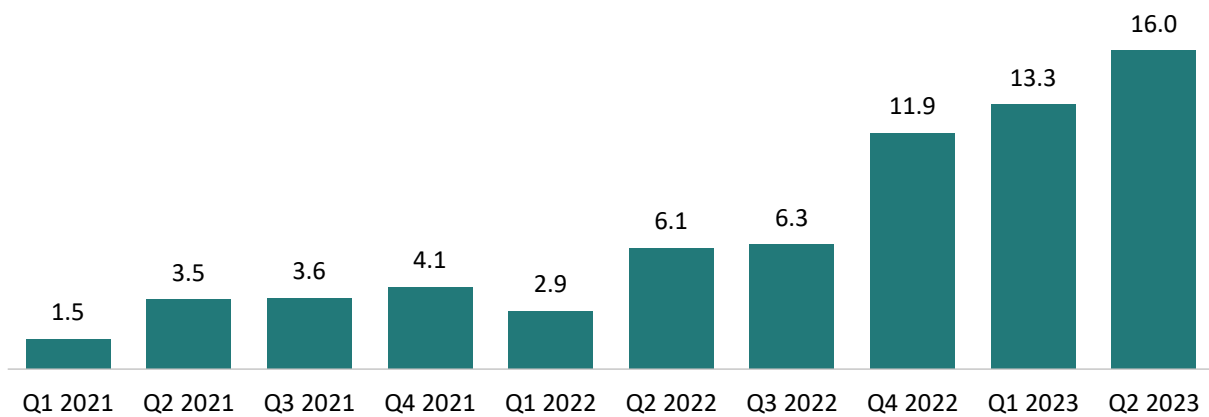
Key performance metrics for the Quarter

Group metrics

Group Bookings/transactions in 000s

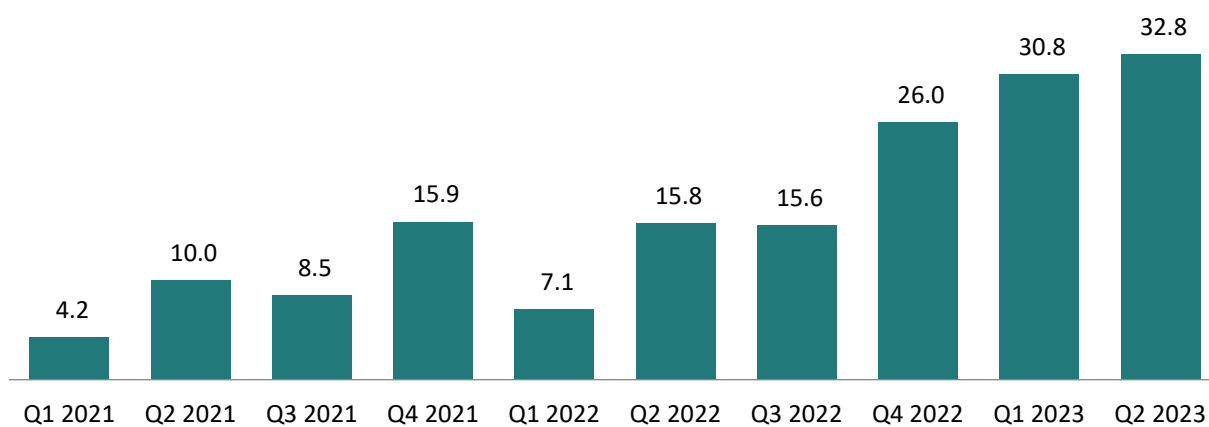


Group Gross Merchandise Value (GMV¹) in \$ millions



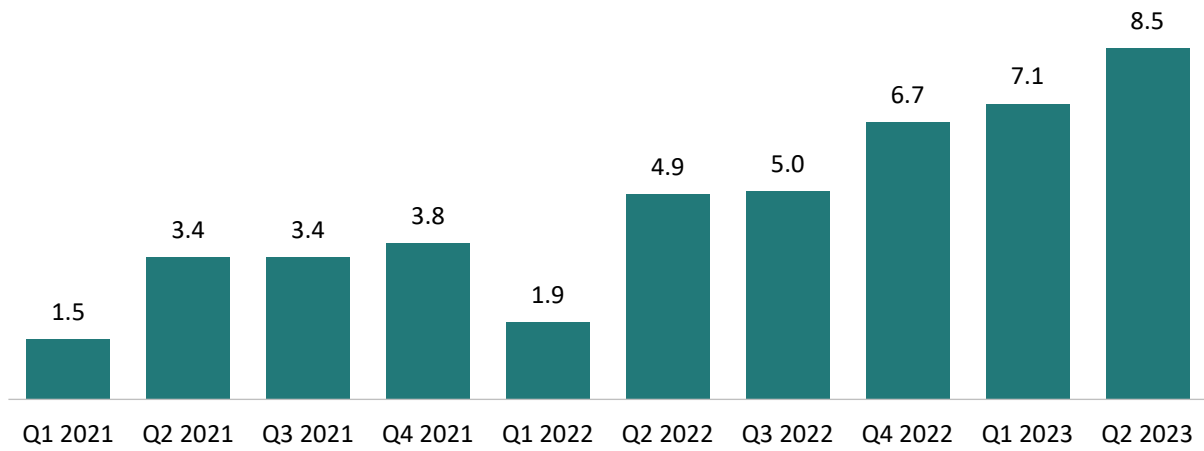
¹GMV is a non-IFRS measure, it represents the total value of transactions processed by All Mad Paws businesses, on a cash basis, before deducting pet service provider payments, cancellations and refunds, chargebacks, discount's and GST.

Group New customers in 000s

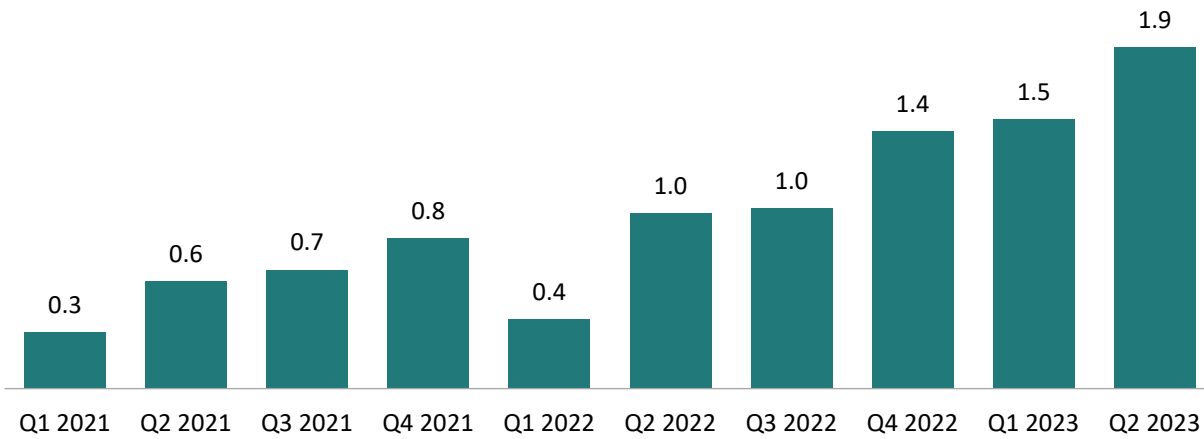


Segment metrics

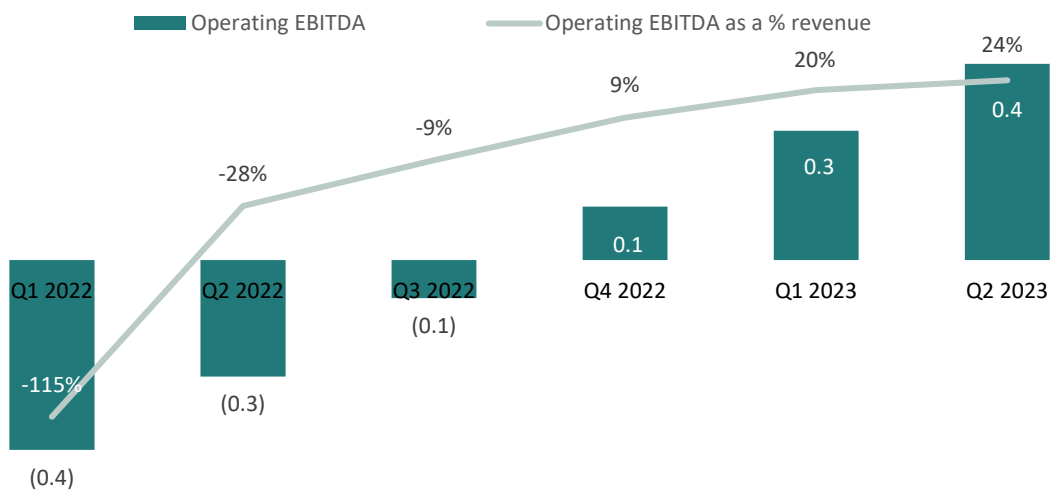
Marketplace GMV in \$ millions



Marketplace Revenue in \$ millions

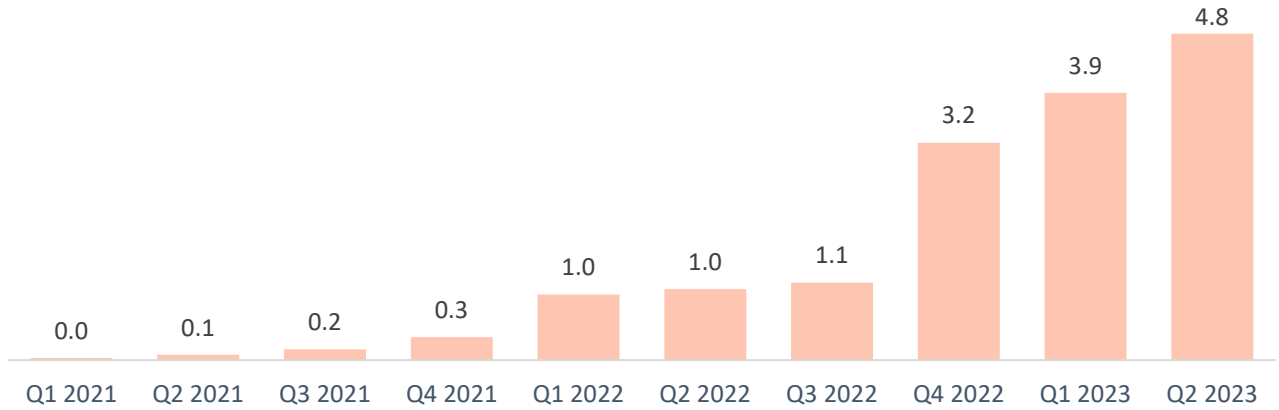


Marketplace Operating EBITDA in \$ millions

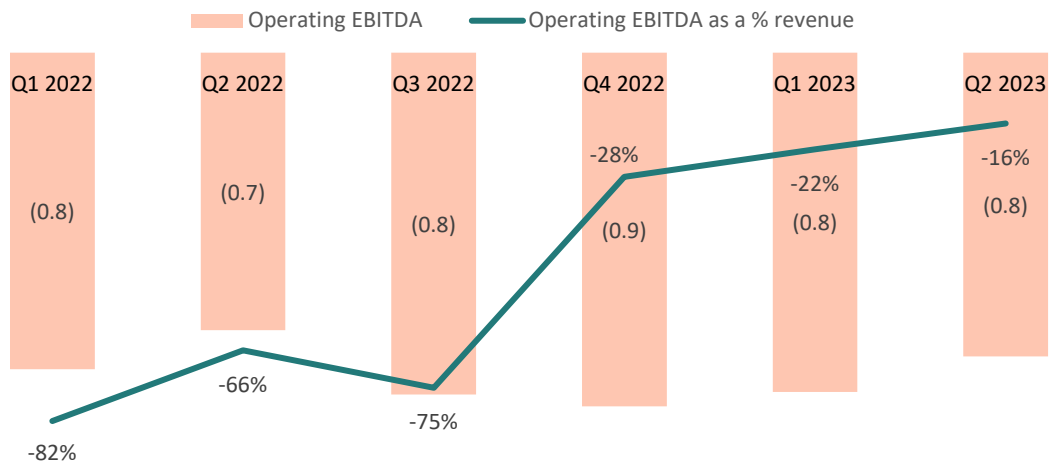




E-commerce & Subscription revenue in \$ millions



E-commerce & Subscription Operating EBITDA in \$ millions



-ENDS-

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.
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 sitter 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")

31 December 2022

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	12,150	22,523
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(8,907)	(17,181)
(c) advertising and marketing	(1,014)	(1,890)
(d) leased assets	-	-
(e) staff costs	(1,861)	(3,984)
(f) administration and corporate costs	(547)	(1,169)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	17
1.5 Interest and other costs of finance paid	-	(15)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	411	411
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	238	(1,288)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(18)	(23)
(c) property, plant and equipment	(17)	(88)
(d) investments	-	-
(e) intellectual property	(436)	(766)
(f) other non-current assets	-	-

¹December 22 Exit run is based on the Group operating revenue for December multiplied by 12

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	(471)	(877)

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	(39)	(132)
3.10 Net cash from / (used in) financing activities	(36)	(132)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	3,538	5,563
4.2 Net cash from / (used in) operating activities (item 1.9 above)	238	(1,288)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(471)	(877)

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)	(39)	(132)
4.5	Effect of movement in exchange rates on cash held	-	
4.6	Cash and cash equivalents at end of period	3,266	3,266

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	3,266	3,538
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)	3,266	3,538

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	119
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	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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	238
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,266
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	3,266
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<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 January 2023

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.