



ASX Announcement 17 February 2023

1H FY23 Preliminary Half Year Results

Mad Paws Holdings Limited (**Mad Paws** or the **Company**) is pleased to release its preliminary, unaudited financials for the six months ending 31 December 2022.

Highlights

- Group Operating Revenues **up 261% on pcp** and up **74% on a pro-forma basis**
 - Marketplace revenues **up 150% on pcp**
 - Ecommerce & Subscription revenues **up 335% on pcp** and up **55% on a pro-forma basis**
- Continuing strong revenue outlook with **current operating revenue exit run rate of \$30m p.a**¹
- **Significant improvement in Group Operating EBITDA margins** – on track for **Operating EBITDA break even target by mid-2023**
 - Group Operating EBITDA margins **improve from -127% to -21% in 1H FY23**
 - Marketplace Operating EBITDA of **\$0.7 million up from (\$0.6) million** in the pcp, **with an EBITDA margin of 22%**
 - Ecommerce & Subscription Operating EBITDA margins **improved to -18% from -74% in the pcp**
- **Pro forma Cash balance at 31 December 2022 of \$6.0m following completion of share placement in February 2023. Well-funded to accelerate growth and achieve EBITDA break-even mid 2023 and cash flow break even shortly after**

Justus Hammer, Co-Founder & CEO commented, “Our results for this 1H FY23 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 1H FY23 growing 74% against the corresponding period in FY22 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.”

“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.”

1H FY23 Preliminary Results Summary (unaudited)

	1H 22	1H 23	Change	
			\$000s	%
Marketplace	1,336	3,347	2,011	150%
Ecommerce & Subscription	1,993	8,672	6,679	335%

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



Operating revenue	3,329	12,019	8,689	261%
Cost of goods sold	(1,534)	(6,689)	(5,155)	-336%
Gross Margin	1,795	5,329	3,534	197%
<i>% of revenue</i>	54%	44%		
Marketing	(1,657)	(1,935)	(278)	-17%
Employment costs	(1,493)	(3,159)	(1,666)	-112%
Other opex	(758)	(1,050)	(293)	-39%
Segment Operating EBITDA	(2,113)	(815)	1,298	61%
<i>% of revenue</i>	-63%	-7%		
Central/Corporate costs	(2,106)	(1,769)	337	16%
Group Operating EBITDA	(4,219)	(2,584)	1,635	39%
<i>% of revenue</i>	-127%	-21%		
Non operating, non-cash and non-recurring items	(619)	(1,376)	(758)	-55%
Loss before income tax benefit	(4,837)	(3,960)	877	18%
Income tax benefit	-	15	15	nm
Loss after income tax benefit	(4,837)	(3,945)	892	18%

Commentary

Group pro-forma Operating revenue increased 261% from \$3.3 million in 1H FY22 to \$12.0 million in 1H FY23, and 74% on a pro-forma basis. The growth reflects strong performance in our Marketplace vertical of 150% vs pcp, driven by continued growth in new customers and repeat customer bookings combined with higher average booking values and take rate % improvements.

Ecommerce & Subscription revenues increased 335% vs pcp, reflecting the impact of the Pet Chemist acquisition as well as organic growth. Pro-forma ecommerce & subscription revenues were \$8.7 million, an increase of \$3.0 million from 1H FY22. The Pet Chemist business, acquired in April 2022, continues to accelerate post acquisition with revenue increasing 52% 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, Waggy revenue increased by 48% vs 1H FY22 driven by the continued success in new subscriber acquisition and stable attrition rates.

Gross margin increased by \$3.5 million with gross margin % decreasing to 44% from 54% due to the e-Commerce and Subscription vertical increasing as a percentage of revenue following the Pet Chemist acquisition.

Segment Operating EBITDA loss for 1H FY23 was \$0.8 million an improvement of \$1.6 million vs pcp. Segment Operating EBITDA margins improved to -7% up from -63% in the 1H FY22. We saw Operating EBITDA improvements across both segments in the period in line with our break-even trajectory. Key segment expense line changes relate to the following factors.

- Marketing increased \$0.3 million to \$1.9 million with marketing efficiency showing a significant improvement in the period. Marketing as a percentage of revenue decreased from 50% in 1H FY22 to 16% in 1H FY23. While the acquisition of Pet Chemist is a key driver of the change, Mad Paws delivered improvement in customer acquisition metrics across all businesses in the period driven by the increased use of our data assets, product capabilities improving conversion rates, campaign optimisations and cross-sell.
- Employment costs increased by \$1.7 million largely as a result of the inclusion of the Pet Chemist cost base following acquisition as well as cycling cost actions taken in COVID19 lockdown period in 1H 22.



- Other segment operating expenses increased \$0.3 million due to a combination of platform growth increasing hosting and other technology by \$0.1 million and technology costs from the Pet Chemist acquisition.
- Mad Paws performed a strategic review of all business units during 1H FY23, 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. Dinner bowl contributed a \$0.4 million loss for 1H FY23.

Corporate costs decreased \$0.3 million because of managements continued focus on cost management.

Overall Group Operating EBITDA improved by \$1.6 million to (\$2.6) million from management's focus on profitable revenue growth, prudent cost management and disciplined capital management.

Non operating, non cash and non recurring items increased by \$0.8 million due to lower R&D tax incentive rebate of \$0.5 million as the Group is trending above the \$20 million cash back cap, higher depreciation and amortisation charges related to the Waggy acquisition accounting and closures costs related to the Dinner bowl lightly cooked operations.

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.

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.

-ENDS-

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

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