

Mad Paws (MPA)

1Q24 Results

Caleb Weng
 cweng@pacpartners.com.au
 +61 416 861 165

Key Points

- Revenue of \$7.2m for 1Q24 in-line with our expectations, with marketplace delivering \$2m and e-commerce \$5.2m.
- Achieved first month of positive operating EBITDA in the month of September, positioning them well for 2Q historically their busiest seasonal quarter.
- Secured new \$1m working capital facility to safeguard against potential fluctuations in intra month cash.
- Quarterly EBITDA of -\$0.2m improvement from 4Q23 of -\$0.8m with both segments of the business experiencing EBITDA growth in the quarter.
- Remain on-track for positive EBITDA and cashflow breakeven for FY24.
- Continued progress in consolidating segments onto a single platform for customers to buy MPA products and services and leverage cross-sell opportunities.
- Strong operating leverage of marketplace reflected in the results with a \$0.3m incremental QoQ increase in revenue translating directly to a \$0.3m increase in segment EBITDA, highlighting little variable costs in the segment.
- We maintain our view that Pet Chemist has an attractive value proposition during times of higher cost of living due to cheaper cost of prescription medication compared to traditional channels such as vets and households with more strained budgets would be actively seeking alternatives.

Key Drivers

- New initiatives and products that leverages the existing customer base of MPA.
- Potential legislation change towards digitised prescriptions for pets/tele-vets would ease prescription ordering process for Pet Chemist.

Investment View

We maintain our BUY recommendation and our \$0.18/share price target.

Risks include (but are not limited to) – Competition risk, recession risk, increased customer churn, adverse publicity, increased leakage in marketplace, adverse regulatory change, cyber fraud, failure to executive business strategy and growth objectives, key management personnel.

Recommendation	Buy
12 Month Price Target	\$0.18
Risk Rating	High
Current Share Price	\$0.093
Previous Recommendation	Buy
Price Target Methodology	DCF
Total Return (Capital + Yield)	85%
Market Capitalisation \$m	\$33.5m

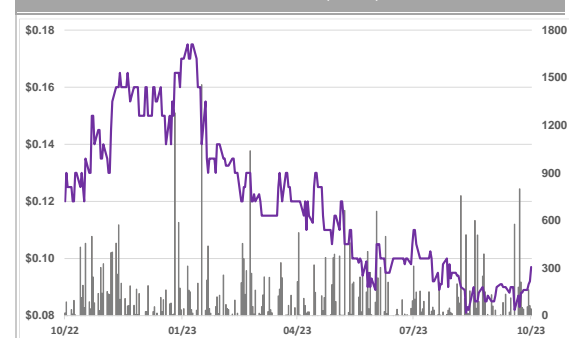
Liquidity

Financial Forecasts & Valuation Metrics

Jun y/e (\$'m)	FY23A	FY24E	FY25E	FY26E
Marketplace Rev	6.5	8.9	10.6	11.9
e-Commerce Rev	18.1	22.4	25.9	29.1
Total Rev	24.6	31.3	36.5	41.0
EBITDA	(5.9)	0.3	2.4	3.4
NPAT	(6.9)	(1.5)	0.5	1.5
FCF	(5.6)	(0.2)	2.1	3.1
Price/Revenue (x)	1.36	1.07	0.92	0.82

Source: PAC Partners

12-month Share Price and Volume (000's)



Source: Iress

Profit & Loss (A\$m)	FY22A	FY23A	FY24E	FY25E	FY26E
MarketPlace Rev	3.7	6.5	8.9	10.6	11.9
e-Com Rev	6.1	18.1	22.4	25.9	29.1
Revenue	9.8	24.6	31.3	36.5	41.0
Operating Cost	(19.4)	(30.5)	(30.9)	(34.2)	(37.7)
EBITDA	(9.6)	(5.9)	0.3	2.4	3.4
D&A	(0.6)	(1.9)	(1.9)	(1.9)	(1.9)
EBIT	(10.2)	(7.7)	(1.5)	0.5	1.5
Underlying NPAT	(10.2)	(6.9)	(1.5)	0.5	1.5
Abnormal Items	(0.3)	(0.6)	-	-	-
Reported NPAT	(10.5)	(7.5)	(1.5)	0.5	1.5

Balance Sheet (A\$m)	FY22A	FY23A	FY24E	FY25E	FY26E
Cash	5.6	3.1	2.8	5.0	8.1
Receivables	0.2	0.2	0.3	0.4	0.4
Inventory	0.9	1.5	1.9	2.2	2.6
Intangibles	22.0	23.6	23.5	23.5	23.4
Right-of-Use	1.3	2.6	2.4	2.1	1.9
Others	1.0	0.9	0.9	1.0	1.0
Total Assets	30.9	31.9	32.0	34.2	37.4
Payables	4.1	4.4	4.4	4.7	5.3
Deferred Revenue	0.5	0.7	0.7	0.7	0.7
Sitter's Deposit	2.4	3.0	4.0	4.8	5.4
Lease	1.3	2.7	2.4	2.2	2.0
Others	1.0	2.6	2.6	2.6	2.7
Total Liabilities	9.3	13.3	14.1	15.1	16.1
Total Equity	21.6	18.6	17.8	19.1	21.3

Cash Flow (A\$m)	FY22A	FY23A	FY24E	FY25E	FY26E
EBITDA	(9.6)	(5.8)	0.3	2.4	3.4
Change in WC	3.1	0.6	0.5	0.9	0.8
Other	-	1.3	0.5	0.5	0.5
Operating CF	(6.5)	(4.0)	1.3	3.7	4.7
Acquisitions	(5.2)	-	-	-	-
Capitalised R&D	(0.9)	(1.5)	(1.5)	(1.5)	(1.5)
Capex	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Free Cash Flow (FCF)	(12.7)	(5.6)	(0.2)	2.1	3.1
Net Others	5.8	3.1	-	-	0.0
Net Cash Flow	(6.9)	(2.5)	(0.2)	2.1	3.1

Mad Paws (MPA) is a pet tech company that aims to be an online provider for all pet-related needs and services, currently with two core segments – marketplace and e-commerce/subscriptions:

- **Mad Paws Marketplace:** Largest pet care services online marketplace in Australia – sitting, walking, day care and grooming, where service providers post details of themselves, services offered and fees, and pet owners can select a provider that best suits their need. MPA's take rate for marketplace was 24.7% in FY22.
- **Subscription:**
 - **Waggly Club:** Acquired Jun 2021, Waggly provides dog owners with a monthly subscription box of dog treats and toys tailored to the dog. Currently largest pet treat subscription service in Australia.
- **e-Commerce:**
 - **Pet Chemist:** Acquired Apr 2022, Pet Chemist is an online supplier of pet healthcare products, with 55% of sales being OTC products and 45% prescription.
 - **SASH Dog Beds:** Acquired 2Q22, premium dog beds.

CORPORATE FINANCE		RESEARCH	DEALING		
CRAIG STRANGER Executive Chairman cstranger@pacpartners.com.au	03 9114 7405	STEPHEN SCOTT Head of Research sscott@pacpartners.com.au	02 9134 9195	JAMES WILSON Institutional Sales jwilson@pacpartners.com.au	02 9134 9111
BROOKE PICKEN Chief Operating Officer / ECM bpicken@pacpartners.com.au	03 9114 7402	JAMES GURRY Senior Analyst jgurry@pacpartners.com.au	0451 349 688	ANDREW MANCHEE Institutional Sales amanchee@pacpartners.com.au	02 9134 9155
SEAN KENNEDY Corporate Finance skennedy@pacpartners.com.au	03 9114 7403	SHANE BANNAN Senior Research Analyst sbannan@pacpartners.com.au	0422 588 635	MARK PASHLEY Sales Trading mpashley@pacpartners.com.au	02 9134 9177
ANDREW SHEARER Technical Consultant ashearer@pacpartners.com.au	0411 720 516	PHIL CARTER Senior Analyst pcarter@pacpartners.com.au	0400 252 465	MOISHE AMZELAK Advisor mamzelak@pacpartners.com.au	0433 116 286
PETER WARD Corporate Broking pward@pacpartners.com.au	03 9114 7409	LAWRENCE GRECH Senior Equities Analyst lgrech@pacpartners.com.au	0404 052 913	RYAN GALE Advisor rgale@pacpartners.com.au	03 9114 7404
JOSH GORDON Corporate Finance jgordon@pacpartners.com.au	0430 191 640	CALEB WENG Analyst cweng@pacpartners.com.au	0416 861 165	PATRICK GIBSON Equity Sales & Senior Operations pgibson@pacpartners.com.au	03 9114 7401
WILL CROSS Corporate Finance wcross@pacpartners.com.au	0447 699 950	MAX ANDREWS Analyst mandrews@pacpartners.com.au	0402 817 911	DANIEL GADALLA Equity Sales & Operations Manager dgadalla@pacpartners.com.au	0402 244 106
				JAMES HOLYMAN Equity Sales & Operations Manager jholyman@pacpartners.com.au	02 9134 9133
SYDNEY Level 26, One Farrer Place, Sydney +61 2 9134 9133		MELBOURNE (Head Office) Level 29, 360 Collins Street, Melbourne +61 3 9114 7400		PERTH Suite 2.1, 9 Havelock Street, West Perth +61 8 6372 7900	

RECOMMENDATION CRITERIA

Investment View

PAC Partners Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

Speculative buy = We expect the stock's total return (nominal yield plus capital appreciation) to exceed 20% over 12 months. The investment may have strong capital appreciation but also has a high degree of risk and there is a significant risk of capital loss.

Risk Rating

PAC Partners has a four tier Risk Rating System consisting of: Very High, High, Medium and Low. The Risk Rating is a subjective rating based on: Management Track Record, Forecasting Risk, Industry Risk and Financial Risk including cash flow analysis.

Disclosure of Economic Interests

The views expressed in this research report accurately reflect the personal views of about the subject issuer and its securities. No part of the analyst's compensation was, is or will be directly or indirectly related to any recommendation or view expressed in this report. The following person(s) do not hold an economic interest in the securities covered in this report or other securities issued by the subject issuer which may influence this report:

- the author of this report – Caleb Weng
- a member of the immediate family of the author of this report

Disclaimer

PAC Partners Securities Pty Ltd. ("PAC Partners", "PAC" or "PPS") is a Corporate Authorised Representative of PAC Asset Management Pty Ltd holder of an Australian Financial Services Licence (AFSL No. 335 374).

The information contained in this report is provided by PAC Partners to Wholesale Investors only. Retail investor and third party recipients should not rely, directly or indirectly, on this report. Users of this research report should not act on any content or recommendation without first seeking professional advice. Whilst the report has been prepared with all reasonable care from sources which we believe are reliable, no responsibility or liability is accepted by PAC Partners, for any errors or omissions or misstatements however caused. Any opinions, forecasts or recommendations reflect our judgement and assumptions at the date of publication or broadcast and may change without notice. This report is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. This publication contains general securities advice. In preparing our Content it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual user. Access of this report does not create a client relationship between PAC Partners and the user. Before making an investment decision on the basis of this advice, you need to consider, with or without the assistance of a securities adviser, whether the advice in this publication is appropriate in light of your particular investment needs, objectives and financial situation. PAC and its associates within the meaning of the Corporations Act may hold securities in the companies referred to in this publication. PAC believes that the advice and information herein is accurate and reliable, but no warranties of accuracy, reliability or completeness are given (except insofar as liability under any statute cannot be excluded). No responsibility for any errors or omissions or any negligence is accepted by PAC or any of its directors, employees or agents. Any content is not for public circulation or reproduction, whether in whole or in part and is not to be disclosed to any person other than the intended user, without the prior written consent of PAC Partners.

Disclosure of Corporate Involvement

PAC Partners acted as Broker for MPA's Feb 2023 Capital Raising and received fees on commercial terms for its services. PAC Partners does own securities of the Company described in this report. PAC Partners associates may own securities of the Company described in this report. PAC Partners does and seeks to do business with companies covered in the research. PAC may receive commissions from dealing in securities associated with the Company. As a result, investors should be aware that PAC Partners may have a conflict of interest that could affect the objectivity of this report. For more information about PAC Partners please visit www.pacpartners.com.au

Buy	Hold	Sell
>20%	20% – 5%	<5%