

FY 2024 Preliminary Full 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 full year results for the 12 months ended 30 June 2024. All financial results are in Australian dollars.

FY 2024 Highlights

- **Group Operating Revenues of \$27.97m** – up 13% on pcp
 - **Marketplace Operating Revenue of \$7.8m** – up 20% on pcp
 - **E-Commerce Revenue of \$19.97m** – up 10% on pcp, +16% excluding closed Dinner bowl product lines
- **Significant improvement in Group Operating EBITDA margins +14 percentage points on pcp**
 - FY 2024 **Segment Operating EBITDA positive at \$2.0m, +267% on pcp**
 - Marketplace Operating EBITDA of **\$2.6 million up from \$1.3 million** in the pcp, **with an EBITDA margin of 34%**
 - Ecommerce & Subscription Operating EBITDA margins **improved to -3% from -14% in the pcp**
- **Group Operating Cash outflow improved by \$3.6 million to (\$0.4) million**
- **Set to accelerate growth** - Marketing campaign launched in August 24 with up to **\$4 million in marketing contra for FY25**. Current plan sees marketing spend including non-cash contra to increase by over 150% in 1H FY25 against pcp
- **Refinanced working capital and growth facility increasing to \$2.0 million** on favourable terms
- Closing cash of \$2.4m, **\$4.0 million on a pro forma basis** (including additional facility, repayment and fees)

Justus Hammer, Co-Founder & CEO commented, "This fiscal year has been marked by continued growth and critical advancements, even in the face of economic headwinds. Despite the pressures of rising costs and an uncertain retail environment, Mad Paws delivered a record Group revenue of \$27.8 million, representing a 13% increase from FY23. We also made significant steps towards profitability, reducing our operating EBITDA loss to \$1.3 million compared to \$4.8 million in FY23 - a remarkable achievement considering the challenging market conditions especially in the second half of the year"

"Looking ahead, we are preparing for one of the most ambitious initiatives in our company's history: our largest customer-facing media campaign, set to launch in August 2024. This campaign will feature a combination of TV commercials, catch-up TV, and robust social media support, all exclusively promoting the Mad Paws brand. Our goal is to highlight both our marketplace and e-commerce offerings, reinforcing our commitment to becoming the premier destination for all pet care and pet health needs."

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As we move into FY25, our focus will remain on sustainable growth, operational excellence, and customer loyalty. We will continue to expand our core services and products, ensuring that we meet the evolving needs of our customers while driving long-term value for our shareholders. Our commitment to leveraging technology and data to enhance the customer experience will remain central to our strategy, as will our efforts to optimize our operations and improve profitability¹.

FY 2024 Results Summary

| in \$000s | FY23 Reported | FY24 | \$000s | % |
|---|------------------|----------------|--------------|-------------|
| Marketplace | 6,516 | 7,819 | 1,303 | 20% |
| Ecommerce & Subscription | 18,099 | 19,970 | 1,871 | 10% |
| Operating revenue | 24,615 | 27,790 | 3,174 | 13% |
| Cost of goods sold | (13,755) | (14,708) | (953) | -7% |
| Gross Margin | 10,860 | 13,082 | 2,222 | 20% |
| <i>% of revenue</i> | <i>44%</i> | <i>47%</i> | | |
| Marketing | (3,841) | (3,444) | 396 | 10% |
| Employment costs | (6,285) | (5,574) | 711 | 11% |
| Other opex | (1,956) | (2,020) | (64) | -3% |
| Segment Operating EBITDA | (1,221) | 2,044 | 3,264 | 267% |
| <i>% of revenue</i> | <i>-5%</i> | <i>7%</i> | | |
| <i>Marketing</i> | <i>-</i> | <i>(48)</i> | <i>(48)</i> | <i>100%</i> |
| <i>Employment costs</i> | <i>(2,452)</i> | <i>(2,204)</i> | <i>248</i> | <i>10%</i> |
| <i>Other opex</i> | <i>(1,088)</i> | <i>(1,071)</i> | <i>18</i> | <i>2%</i> |
| Central/Corporate costs | (3,541) | (3,323) | 218 | 6% |
| Group Operating EBITDA | (4,761) | (1,280) | 3,482 | 73% |
| <i>% of revenue</i> | <i>-19%</i> | <i>-5%</i> | | |
| Non operating, non-cash and non-recurring items | (2,969) | (6,186) | (3,217) | -108% |
| Loss before income tax benefit | (7,730) | (7,465) | 265 | 3% |
| Income tax benefit | 251 | 248 | (3) | -1% |
| Loss after income tax benefit | (7,479) | (7,217) | 262 | 3% |
| <u>Group Key Performance Metrics</u> | | | | |
| GMV \$000s | 58,854.2 | 67,595.5 | 8,741.3 | 15% |
| Bookings/Transactions 000s | 434.6 | 457.9 | 23.3 | 5% |
| New Customers 000s | 122.3 | 119.7 | (2.6) | -2% |

¹Gross Merchandising Value ('GMV') is a non- GAAP measure that represents the total value of transactions processed by all Mad Paws Businesses, on a cash basis, before deduction pet service provider payments, cancellations, refunds, chargebacks, discounts and GST

Commentary

FY2024 Operating revenue increased by 13% to \$27.8 million, with marketplace revenue increasing 20% to \$7.8 million and the e-Commerce division revenues increasing 10% to \$19.97 million. Revenue growth coupled with cost optimisation strategies across gross margins, marketing and operational costs resulted in a continued improvement in Group Operating EBITDA which improved by 73% or \$3.5 million to (\$1.28) million in FY2024.



In FY2024, Gross Margin increased by 2.2 million to \$13.1 million, a 20% improvement versus FY2023. The Group's Gross Margin was 47%, an increase of 3 percentage points compared to FY2023. Marketplace gross margins improved 1 percentage point due to the implementation of a new payment gateway partner in August 2023 which reduced merchant fee costs from leveraging the increased scale of the Group. E-Commerce gross margins improved by 2 percentage points due to the closure of the raw and lightly cooked product lines in Dinner bowl during FY2023, the expansion of private label toys in Waggly subscription boxes and stronger gross margins in Pet Chemist.

In FY2024, the Group continued significant strides towards positive Group Operating EBITDA, led by Group's profitability focus across all segments and focusing on the key strengths of the business.

The improvement in FY2024 Group Operating EBITDA was driven by the following factors:

- Resilience and Growth: Despite challenging operating conditions, including cost of living pressures and interest rate impacts on retail and travel spending, we successfully delivered growth by executing our strategic initiatives. We enhanced our use of data science, continued to invest in platform UX, and relaunched our app. A key focus in our eCommerce segment has been on medication, differentiates us from competitors.
- Focus on Profitability: We streamlined our management structure to accelerate decision-making and improved marketing efficiency through platform enhancements and channel optimisation initiatives. By leveraging technology and AI, we significantly reduced operational costs in both warehouse management and customer service. In addition, the Group exited unprofitable Dinner bowl products lines during FY2023 with the full year impact being realised in FY2024.
- Group EBITDA Margins improved to (5%), compared to (19%) in FY2023, including:
 - Marketplace division EBITDA margins increased to 34% from 20% in FY2023, delivering \$2.6 million positive EBITDA or a 98% improvement versus FY2023.
 - e-Commerce EBITDA loss improved to (\$0.6) million, a 77% improvement on FY2023, resulting from the full year impact of the closure of loss-making Dinner bowl product lines, improved gross margins across the organisation and revenue growth.
- Central and corporate costs were reduced by \$0.2 million, reflecting a 6% year-over-year decrease. This reduction was achieved through a focus on prudent cost management, optimising both corporate headcount and overhead structure.

Non-operating, non cash and non-recurring items

| in \$000s | FY23 Reported | FY24 | Change | |
|--|------------------|----------------|--------------|------------|
| | | | \$000s | % |
| Group Operating EBITDA | (4,761) | (1,280) | 3,447 | 73% |
| Non operating, non-cash and non-recurring items | | | | |
| R&D rebate | 69 | - | (69) | -100% |
| Capital raising costs | (146) | (52) | 94 | 64% |
| Share based payments | (525) | (1,125) | (600) | -114% |
| Deferred consideration - linked to remuneration | 121 | 2 | (119) | -98% |
| Impairment of assets | (557) | (2,214) | (1,658) | -298% |
| Restructuring expenses | - | (206) | (206) | 0% |
| Other non-operating items | (24) | (71) | (47) | -195% |
| Reported Group EBITDA | (5,824) | (4,946) | 878 | 15% |
| Depreciation and amortisation | (1,874) | (2,277) | (403) | -22% |
| Interest revenue | 28 | 17 | (11) | -40% |
| Finance costs | (61) | (259) | (198) | -324% |
| Loss before income tax benefit | (7,730) | (7,465) | 265 | 3% |
| Income tax benefit | 251 | 248 | (3) | -1% |
| Loss after income tax benefit | (7,479) | (7,217) | 262 | 3% |

Non-operating items increased by \$3.2 million in FY2024. Key drivers of the increase include a non-cash goodwill impairment charge of \$2.2 million on our Waggly cash generating unit (CGUs) due to higher interest rates increasing discount rates as well as the Group's focus on achieving profitability in the short term. In addition, share based payment expenses increased \$0.6m due to the issuing of options to staff in lieu of performance bonuses and higher salary sacrifice amounts across FY2024.

Depreciation and amortisation expenses increased due to the higher amortisation expenses on new right-of-use assets associated with the larger Pet Chemist warehouse and distribution facility.

Finance costs were \$0.2m higher due to financing costs associated with the Kashcade financing facility as well as higher lease liability interest costs from the larger Pet Chemist warehouse and distribution facility.

Future Outlook

Our primary objective for FY25 is to establish Mad Paws as a household name within the Australian pet industry. The launch of the Mad Paws Pet Store marks a significant milestone, with the final changes to our homepage finalised ahead of the start of our media campaign launch this week. This is more than just a new offering; it serves as the cornerstone of our brand campaign. Through this initiative, we aim to position Mad Paws as the ultimate destination for pet owners, reinforcing our commitment to keeping pets happy, active, and healthy. This strategy underscores our dedication to meeting our customers' needs comprehensively and highlights our unwavering focus on sustainable growth.

As Mad Paws continues to grow its share of the Australian pet market and achieve EBITDA positive trading the key areas of focus for the Group and our segments include:



- **Brand Campaign**
 - August 24 marked the launch of our marketing campaign in cooperation with Seven West Media.
 - The campaign will extend well into Christmas trading, the busiest time for the marketplace as well as our retail offerings.
 - Reaching an approximate 2 million potential customers before Christmas.
- **Brand consolidation**
 - Finalising our brand consolidation.
 - Single brand focus on Mad Paws, promoting both our services as well as our product offerings under one brand.
 - You can now find the new Mad Paws Pet Store on our homepage Madpaws.com.au.
- **Cross-sell and customer acquisition**
 - Leveraging data and a centralised CRM to provide personalised offers and solutions for customers.
 - New customer referral system is being released in August 2024 – Owner to owner referral.
 - New onboarding flow focusing on incentivising customers at the right time moving them along the funnel.
 - New channel expansion – new social strategy launched for owner acquisition with very positive initial results.
- **Pet Chemist**
 - Repositioning Pet Chemist around our strongest selling point pet health and wellbeing focusing on higher margin products.
 - Driving efficiencies in the warehouse and customer service processes. Focusing on further automation of the prescription process as well as streamlining warehouse operations.

Marketplace

| | FY22 | FY24 | Change | |
|--|--------------|--------------|--------------|------------|
| | | | \$000s | % |
| Operating revenue | 6,516 | 7,819 | 1,303 | 20% |
| Cost of goods sold | (407) | (412) | (5) | -1% |
| Gross Margin | 6,110 | 7,407 | 1,298 | 21% |
| <i>% of revenue</i> | 94% | 95% | | |
| Marketing | (1,688) | (1,755) | (68) | -4% |
| Employment costs | (2,143) | (1,969) | 174 | 8% |
| Other opex | (950) | (1,047) | (97) | -10% |
| Segment Operating EBITDA | 1,329 | 2,636 | 1,306 | 98% |
| <i>% of revenue</i> | 20% | 34% | | |
| <i>Marketplace Key Performance Metrics</i> | | | | |
| GMV \$000s | 30,287.5 | 34,873.3 | 4,585.8 | 15% |
| Take rate % | 25.4% | 27.0% | 1.6% | 6% |
| Bookings 000s | 167.1 | 180.7 | 13.6 | 8% |
| New customers | 45.7 | 46.1 | 0.4 | 1% |
| Average booking value | 181.2 | 193.0 | 11.8 | 6% |

In FY2024, the Marketplace division delivered 20% operating revenue growth to \$7.8 million. This growth was the result from an 8% increase in bookings versus FY2023, with average time unit per booking increasing 11% and average price per time unit increasing 3%. Overall, this led to a 15% increase in marketplace Gross Merchant Value for FY2024. Marketplace performance was driven by the Group's continued investment in platform user experience improvements as well as the greater use of data science to enhance our search ranking matching algorithm.

The Marketplace division has strong operating leverage as revenue grows, with the cost base increasing at a much lower rate. As a result, the Marketplace division's Gross Margin increased 21% to \$7.4 million with segment operating expenses decreasing by 0.2% due to operational and technology infrastructure initiatives which reduced employment costs by 8% and reduced marketplace technology costs to 11% of revenue down from 13% in FY2024.

In FY2024, the Marketplace division Operating EBITDA was \$2.6 million, an improvement of \$1.3 million or 98% compared to FY2023. The FY2024 EBITDA margin for the Marketplace division was 34%.

| | FY23 | FY24 | Change | |
|---|----------------|--------------|--------------|------------|
| | | | \$000s | % |
| Operating revenue | 18,096 | 19,970 | 1,874 | 10% |
| Cost of goods sold | (13,349) | (14,296) | (947) | -7% |
| Gross Margin | 4,748 | 5,675 | 927 | 20% |
| <i>% of revenue</i> | 26% | 28% | | |
| Marketing | (2,153) | (1,689) | 464 | 22% |
| Employment costs | (4,142) | (3,605) | 537 | 13% |
| Other opex | (1,006) | (973) | 33 | 3% |
| Segment Operating EBITDA | (2,553) | (592) | 1,961 | 77% |
| <i>% of revenue</i> | -14% | -3% | | |
| <u><i>Ecommerce Key Performance Metrics</i></u> | | | | |
| Transactions | 267.5 | 277.2 | 9.7 | 4% |
| New customers | 76.6 | 73.6 | (3.0) | -4% |

In FY2024, e-Commerce revenue increased 10% to \$19.97 million. Excluding the closed Dinner bowl lines in FY2024 revenue growth was 16%. Revenue growth was driven by Pet Chemist and Sash beds with Waggly revenues decreasing year over year as a result of the Group's focus on profitability reducing the level of marketing investment in this business during the year. Pet Chemist revenues increased 23% benefitting from range expansion enabled by the new warehouse and distribution facility, marketing channel expansion and a continued focus on acquiring new medication customers. Sash revenues increased by 56% compared to FY2023 due to the release of complimentary products and colour expansion in our core range.

Gross Margin in the e-Commerce division improved by 2 percentage points due to the closure of the raw and lightly cooked product lines in Dinner bowl during FY2023, the expansion of private label toys in Waggly subscription boxes and stronger gross margins in Pet Chemist. In addition, Pet Chemist expanded its relationship with a number of key brands through co-branded marketing initiatives leveraging the Group's data assets and strong customer engagement.

e-Commerce marketing costs decreased by \$0.5 million to \$1.7 million, versus FY2023, primarily due to lower marketing investment in our Waggly business offset by additional profitable marketing spend across Pet Chemist and Sash.

During FY2024 our e-Commerce segment has looked to continually improve operational processes as a key component of our profitability targets. Overall employment costs were 13% lower compared to FY2023 or 2% lower excluding the closed Dinner bowl product lines despite an 10% increase in revenue for FY2024. Further enhancements were made across marketing and operations during Q4 FY2024 which will have an additional benefit across FY2025.

In FY2024, the e-Commerce Operating EBITDA loss was (\$0.6m) million, a \$1.96 million improvement compared to FY2023. The performance improvement versus FY2023 was partly due to the closure of the unprofitable Dinner bowl product lines which resulted in a \$0.7 million improvement. Revenue growth, gross margin expansion and improved operational processes drove a \$1.3 million improvement in Operating EBITDA in FY2024.



-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

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.

| 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. |