

QUARTERLY ACTIVITIES & CASHFLOW REPORT Quarter ended 30 June 2023

Investor Conference Call At 9.00 am AEST on Tuesday 25 July 2023

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 announce its June 2023 Quarterly (including the Appendix 4C and Activities Report). The operating results of the Group exclude pro-forma adjustments for the Pet Chemist business acquired on 1 April 2022 unless otherwise stated. All financial results are in Australian dollars and are unaudited.

Highlights for the Quarter

- **Delivered continued strong revenue growth as strategies drive customers and efficiencies**
 - **Group Operating Revenues of \$6.5m** – up 41% on pcp and +53% excluding discontinued operations (organic growth only)
 - **Marketplace Operating Revenue of \$1.7m** – up 24% on pcp
 - **E-Commerce Revenue -of \$4.7m revenue** – up 48% on pcp, 68% excluding discontinued operations
- **Positive EBITDA (before corporate overheads) for the June quarter**
- **Pet Chemist major expansion -new, large warehouse operational - over 1,000 new SKUs being added this quarter**
- **Launched 11 new private label products across Sash and Waggly**
- **Closing cash of \$3.1m and remain on track for EBITDA break-even in the September quarter**

Justus Hammer, Co-Founder & CEO commented, *"We are very happy with the results for this quarter, as for the first time we have been able to become operating EBITDA positive from our divisions, and we believe we will be operating EBITDA positive across the whole company in next quarter. While the group operating EBITDA for the quarter was (\$0.8m) our June 23 result was (\$0.1m), in addition we have identified a number of marketing optimisations and cost efficiencies that will have full impact in Q1 FY24.*

Our e-Commerce business is tracking well, with revenues up nearly 50% on the June quarter last year. On the back of this we have expanded our private label offering for Sash and Waggly and we will continue to broaden our range going forward. We continue to plan and support future growth for Pet Chemist moving into a much larger new warehouse, which was fully operational from early July. This brings future capacity and efficiencies and allows us to add over 1,000 new SKUs in the next quarter, which we are already well on track for.

The release of our new Mad Paws homepage as a first step in our journey of consolidating our brands and creating a more concise user experience has been very successful. We have seen already an uptick in cross-sold customers as a result. We are also very excited about pet stepper, our rich data pet profile, where we have already acquired over 110,000 pet profiles of which 70,000 have over 50 data points per pet. This is just the beginning of Mad Paws utilising the potential of data rich pet profiles to drive our cross-sell strategy for the group."

Operational highlights

Marketplace

During the Quarter our marketplace division continued to invest into our platform. We focused on improving the search experience for our pet owners as we see a significant opportunity to increase booking growth in a cost-efficient manner. Key features we released were:



- One-click sign in with Google;
- Enhanced search filters allowing owners to customise their search criteria to find the perfect sitter for their pet;
- AI customer service support; and
- Major upgrade of our site performance and speed.

In addition, we launched a major update to our search ranking algorithm, which incorporates machine learning and allows us to continually optimise the matching of our sitters to owners, manage location based supply and demand as well reduce off platform bookings. With the team focussed on those projects we have seen a significant increase in our conversion rate from search to paid booking with more upside expected in the near future.

E-commerce

One of our key focuses for the E-commerce vertical was a drive towards more private label products in order to increase margins and in the case of Sash also increase our repeat purchaser rate and average basket size. We added 11 private label products to Sash and Waggly this Quarter with a multiple of that in the pipeline for next quarter when we will also launch the first private label products for Pet Chemist. Our Waggly range is now almost entirely our own designed and sourced toys, improving quality and reducing costs from products provided by third party suppliers.

Pet Chemist expansion was delayed due to a lack of space in our old warehouse which made it difficult to expand our product range as planned. With the new warehouse now fully operational from early July the team is focused on the range expansion where we are targeting to grow from 2,000 SKUs to over 3,000 SKUs within the next quarter.

The success of our cross-sell strategy is starting to take shape. The team has been working hard on utilising our single view of the customer. This enables our team to craft highly efficient, automated user journeys with no engineering overhead. This resulted in new customers from cross-selling to grow by over 57% this Quarter vs pcp. This is just the beginning of our cross-selling success with many more initiatives such as loyalty programs, referrals and more still to come.

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. For the first time, the quarterly operating EBITDA from our divisions was positive before corporate costs.

Our marketplace achieved operating EBITDA of \$0.5 million at record EBITDA margins of 28% and is on track for our margin target for this vertical.

E-commerce operating EBITDA was flat quarter on quarter with operating EBITDA margins stable at negative 9%. We saw improved profitability across our Waggly and Sash while Pet Chemist growth was constrained by warehousing space which is no longer the case with the move to a much larger distribution facility on 1 July 2023. With the momentum we have seen in the current quarter in Sash and Waggly, and Pet Chemist moving to a new distribution facility, significantly increasing our SKUs, we are on track for continued improvement in operating EBITDA in our eCommerce division next quarter.

The Group's improving operating EBITDA, stable capex profile and favourable working capital dynamics are the key drivers of cash flow break-even for the group and we remain on track with our stated goals.

Outlook for the 2024 Financial Year

Moving forward in 2024, 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 and achieving profitability in the short term. Our key areas of focus include:

- **Pet Chemist range expansion** –Targeting a 3,000 SKU range in FY24, focussing on higher margin categories of food, health and toys, utilising the significant increased scale from our new distribution centre
- **Scale private label products** – Continue the success of the 11 new products launched in Q4 FY23 in Sash and Waggly, by further accelerating new products launching in these brands. In addition, we plan to launch the first cohort of private label products in Pet Chemist



- **Scaling Marketplace efficiency** – Focussed product releases that improve the search for sitter experience, sitter pricing dynamics, and reduce off platform bookings. In addition, testing new marketing channels and customer booking approaches
- **E-commerce platform rebuild** – Complete the Pet Chemist website rebuild, and leverage this technology to embed ecommerce within the Marketplace owner and sitter experience by creating a single platform to book or buy Mad Paws products and services
- **Cross-sell expansion**- Leverage our data capabilities and centralised CRM to provide personalised offers and solutions for our customer base. Furthermore, we will launch a Mad Paws loyalty offering making it even more enticing for our customers to stay within the Mad Paws ecosystem, driving our share of wallet and decreasing customer acquisition cost for the verticals.

Investor Call details

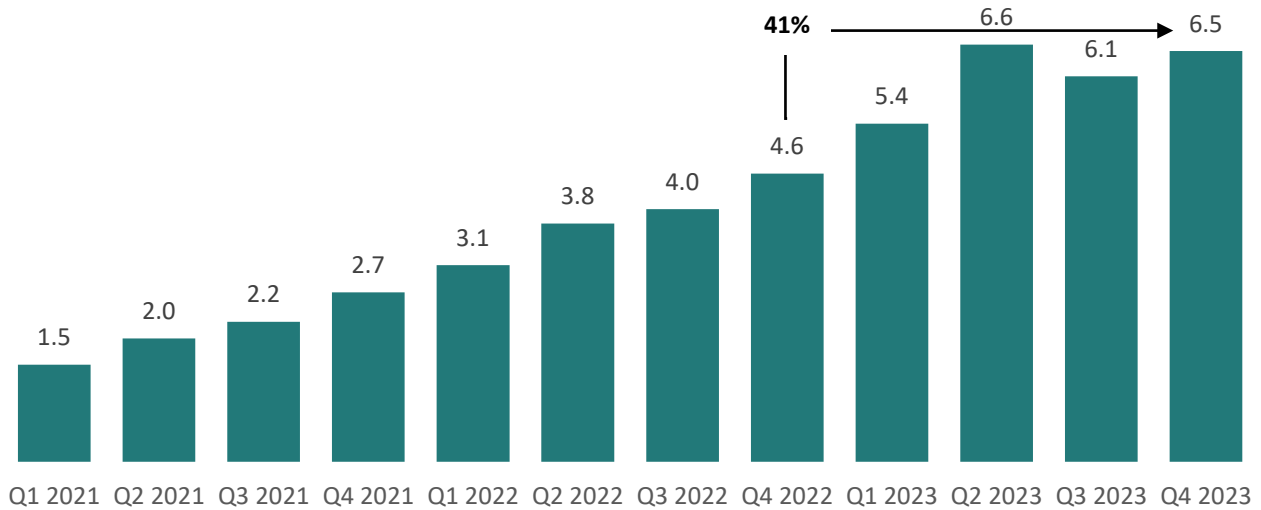
Mad Paws' CEO, Justus Hammer is hosting an Investor Webinar at **9.00am AEST on Tuesday 25 July 2023** to discuss the results of the Quarter and the future business outlook. Shareholders and investors wishing to attend the Investor Webinar can register to attend using the link below:

https://us06web.zoom.us/webinar/register/WN_gIHM8EgmQJK4gYVGHohnMA

investors@madpaws.com.au

Detailed Trading results

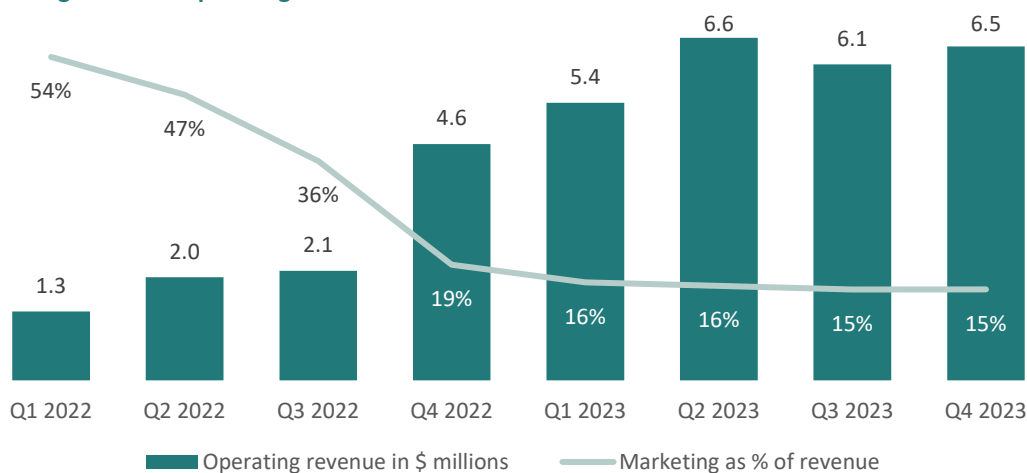
Group Pro-Forma Operating Revenue (unaudited) in millions



Group pro-forma Operating revenue increased 41% on pcp (53% excluding discontinued Dinner Bowl product lines) to \$6.5 million in Q4 FY23. The growth reflects strong performance in our Marketplace vertical where revenue increased 24% against pcp in Q4 FY23. The prior corresponding period represented the first real surge in post pandemic international and domestic travel and it is a testament to the multiple growth drivers of the marketplace to achieve this level of growth against this back drop. Our continued investment in improved website functionality and customer experience has resulted in higher booking values and take rate accretion vs pcp.

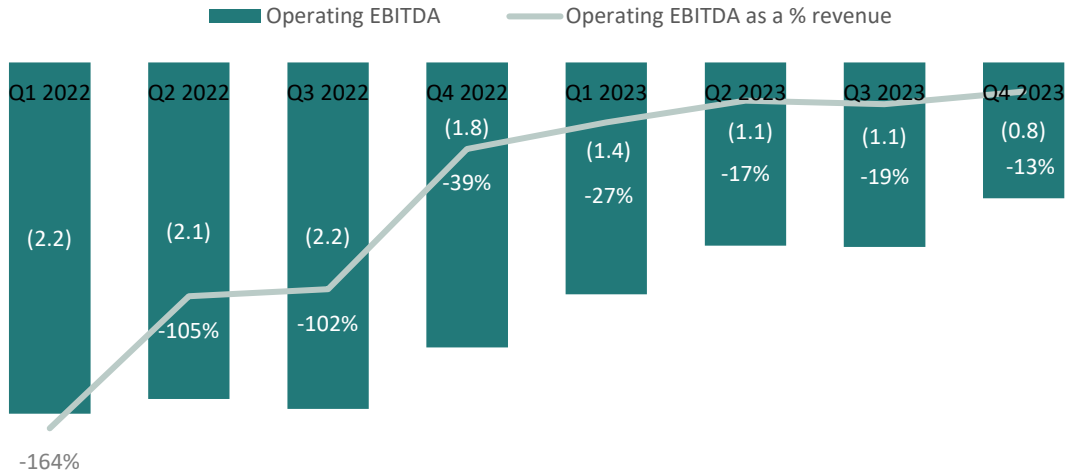
Pro-forma ecommerce revenues were \$4.7 million, an increase of 48% vs pcp and 68% excluding the closed Dinner Bowl operations. We saw very strong levels of growth in Sash Beds and Waggly vs pcp, increasing 155% and 46% respectively, driven by the in-sourcing of social media marketing management and the expansion of influencer collaboration. Pet Chemist revenues increased 63% vs pcp, despite constrained warehouse capacity impacting new SKU growth. With Pet Chemist relocating to a substantially larger warehouse from 1 July 2023, growth is expected to accelerate for next quarter.

Group Marketing as a % of Operating Revenue



Marketing as a percentage of revenue was 15%, down from 19% in the prior corresponding period. The year-over-year improvement has been driven by the implementation of data-driven strategies in the marketplace and the focus on SEO, resulting in a reduction of the blended CAC. In our e-Commerce and subscription vertical, the acquisition of Pet Chemist (with its favourable customer acquisition economics) had a significant impact.

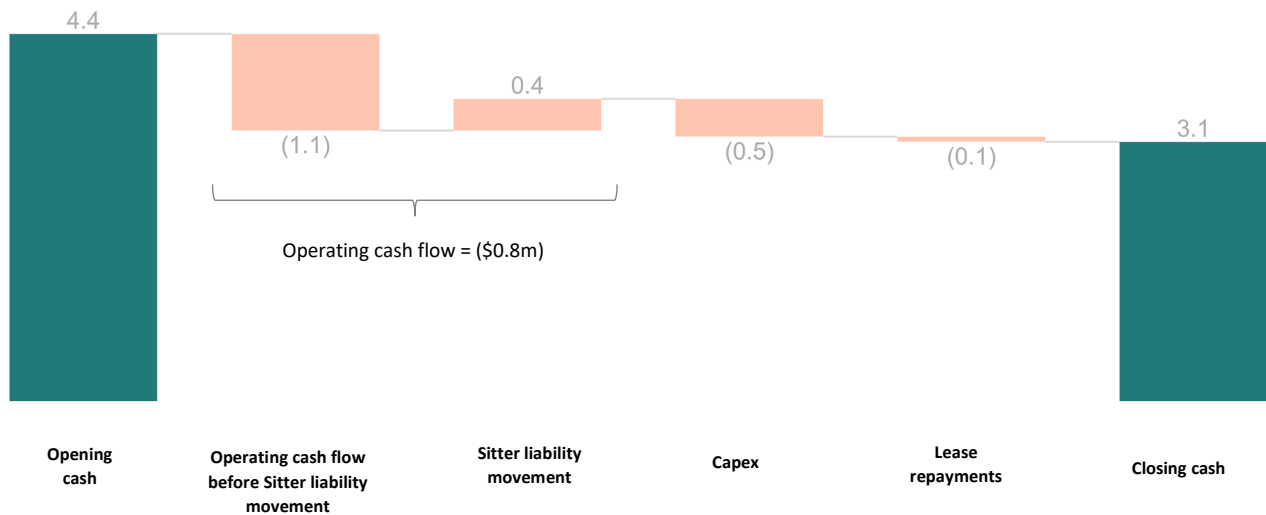
Group Operating EBITDA in \$ millions



Group operating EBITDA margins improved by 6 percentage points on a quarter-on-quarter basis and 26 percentage points vs pcp. The improvement in Operating EBITDA margins was led by our marketplace segment which delivered 28% operating EBITDA margins demonstrating increasing take rates, improving scale and high operating leverage. Ecommerce operating EBITDA was flat quarter on quarter, at a \$0.4m loss, an improvement of \$0.5m vs pcp.

Corporate & Cash flow

Cash flow bridge for the Quarter



Operating cash outflow before sitter liability movement was \$1.1 million reflecting the timing of prior quarter inventory payments to support Sash growth and annual prepayment timing of \$0.4 million. 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. As can be seen from the table below sitter liability movement was favourable \$0.4m for the quarter, with a favourable cash flow benefit of \$0.7 million for the last 4 quarters.

in \$ millions	Q4 FY23	Q3 FY23	Q2 FY23	Q1 FY23	Last 4 quarters
Sitter liability movement	0.4	(1.1)	1.1	0.3	0.7

Financing and Investment Activities

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. Specifically, the launch of new search functionality, website speed enhancements and machine learning search algorithm updates.

As detailed in Item 6.1 of the accompanying Appendix 4C, this Quarter the Company paid \$176k in relation to the CEO and the Executive Director remuneration and Directors' fees.

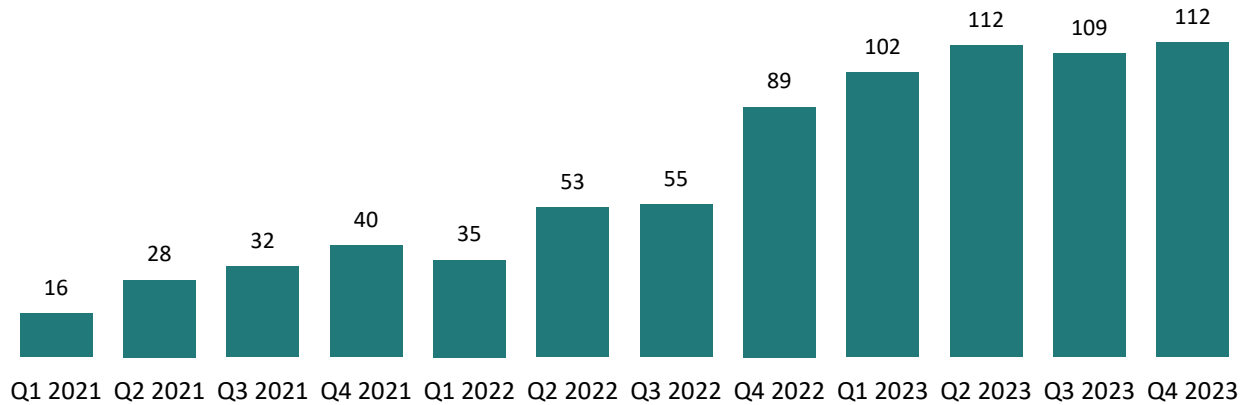
ASX Waiver

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 30 June 2023, there were no deferred consideration shares issued and there are up to 15,000,000 ordinary shares remaining to be issued.

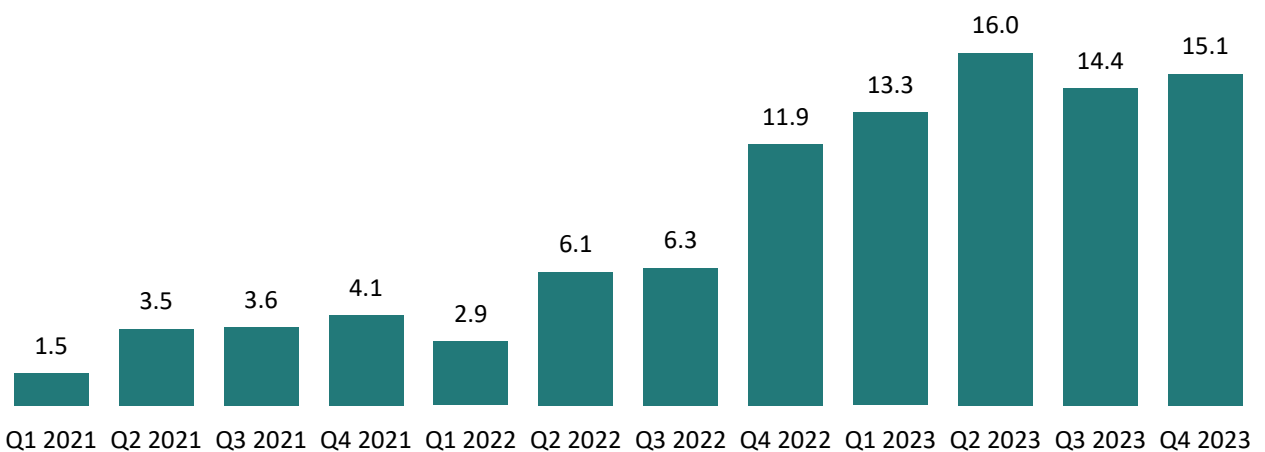
Key performance metrics for the Quarter

Group metrics

Group Bookings/transactions in 000s

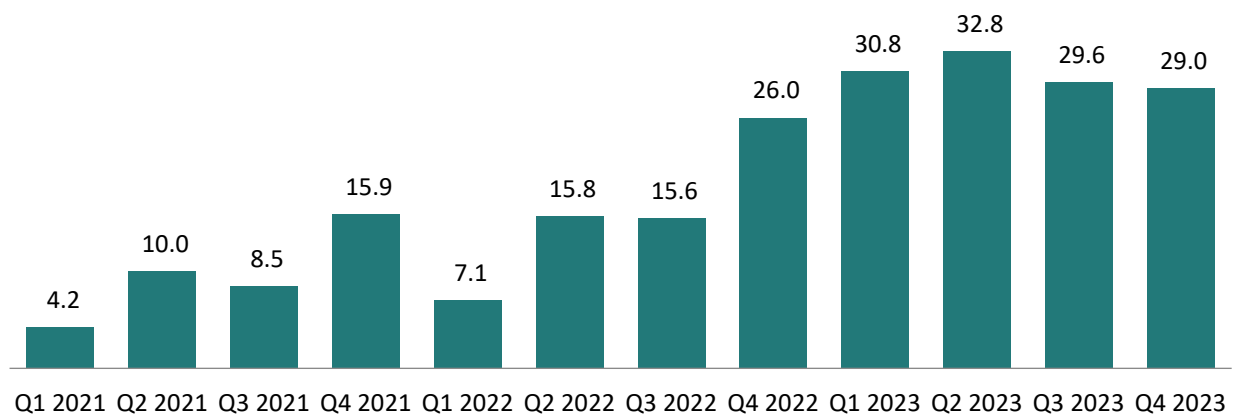


Group Gross Merchandise Value (GMV¹) in \$ millions



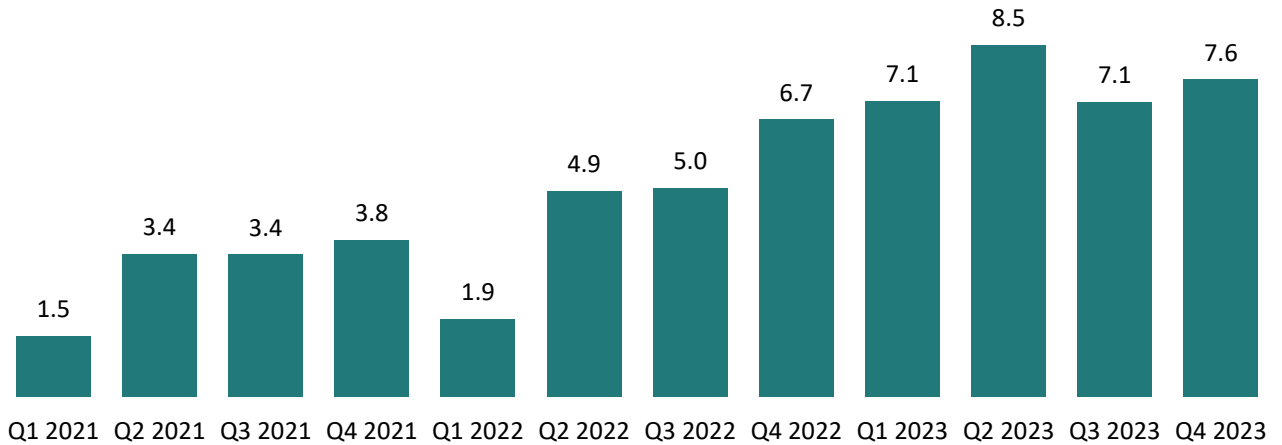
¹GMV is a non-IFRS measure, it represents the total value of transactions processed by All Mad Paws businesses, on a cash basis, before deducting pet service provider payments, cancellations and refunds, chargebacks, discounts and GST.

Group New customers in 000s

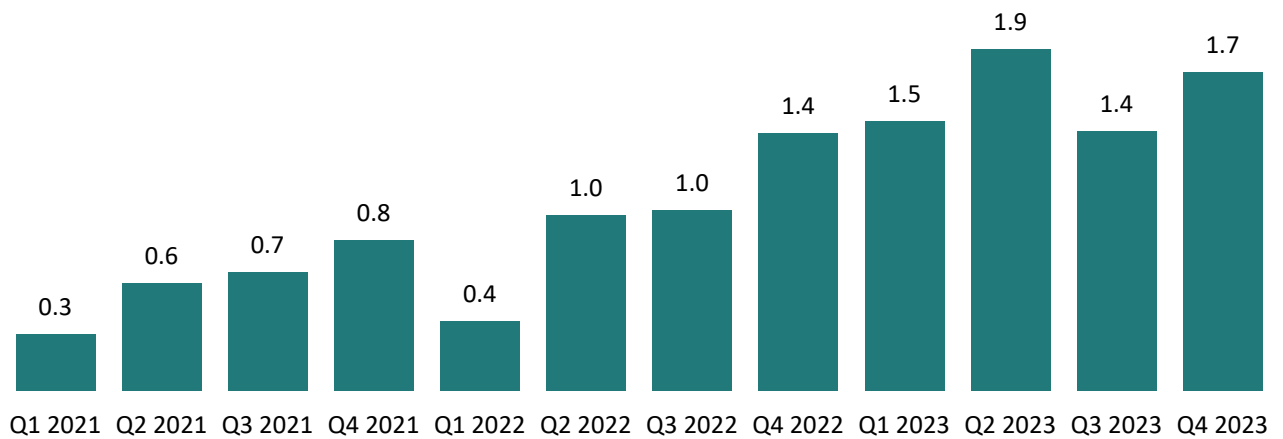


Segment metrics

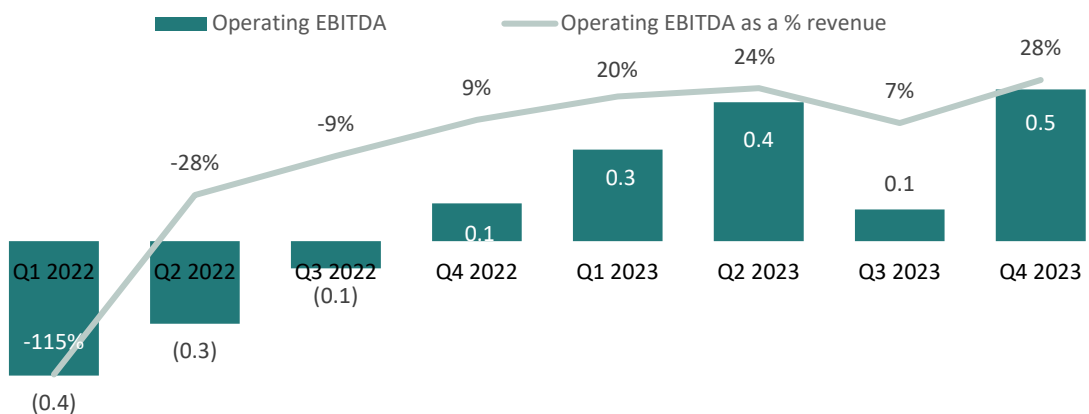
Marketplace GMV in \$ millions



Marketplace Revenue in \$ millions

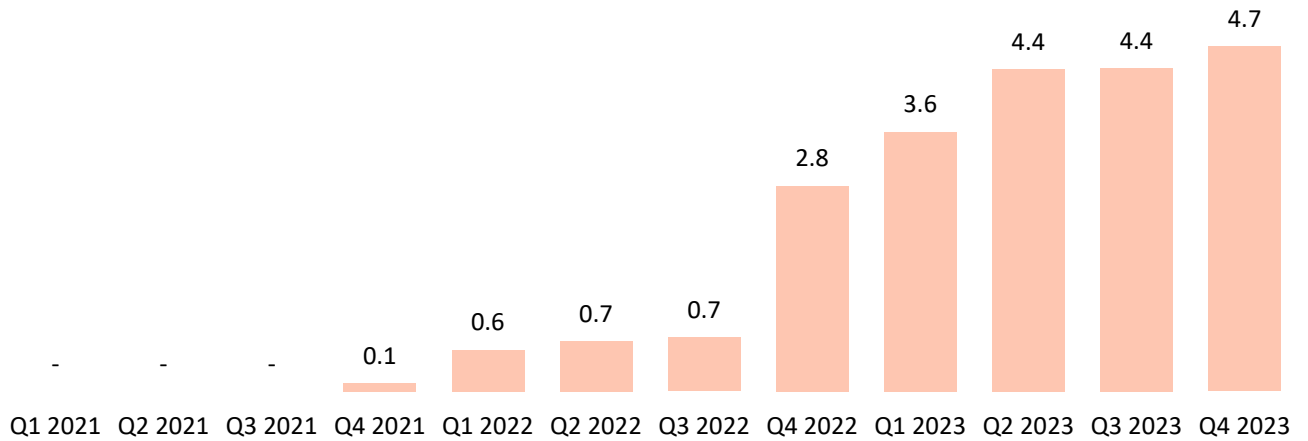


Marketplace Operating EBITDA in \$ millions

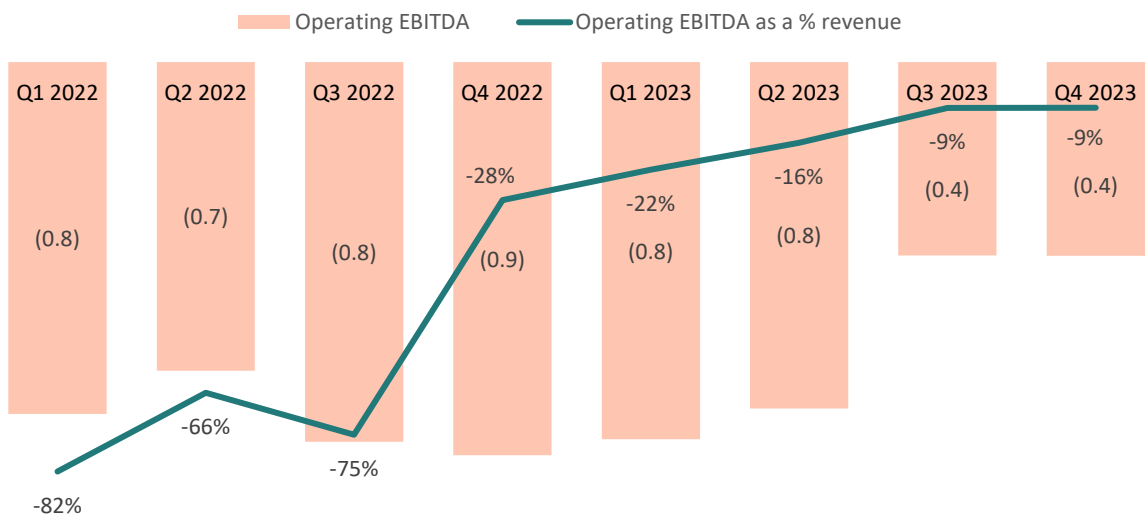




E-commerce revenue (Excluding closed Dinner bowl product lines) in \$ millions



E-commerce & Subscription Operating EBITDA in \$ millions



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

-ENDS-

CONTACTS

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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. The Mad Paws marketplace is the leading online platform for pet owners to book their pet sitting, walking, day care and grooming services, with one of over 40,000 registered pet carers Australia wide. With over 2 million pet care services since inception the Mad Paws pet services marketplace is the leading marketplace of its kind in Australia. Mad Paws also operates an online only e-Commerce division offering pet healthcare, prescription medicine, pet treats and specialty items to improve the every day life of Australian pets, with brands including Pet Chemist, Waggly, Dinner Bowl and Sash beds.

Mad Paws is a purpose driven organisation and exists to enable pets to live their lives to the fullest, supporting owners through all stages of the pet lifecycle.

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. The bases for these statements are subject to risk and uncertainties that might be out of control of Mad Paws and may cause actual results to differ from the Announcement. No representation, warranty, or guarantee, whether express or implied, is made or given by Mad Paws in relation to any Estimates and Projections, the accuracy, reliability or reasonableness of the assumptions on which the Estimates and Projections are based, or the process of formulating any Estimates and Projections, including that any Estimates and Projections contained in this Announcement will be achieved. Mad Paws takes no responsibility to make changes to these statements to reflect change of events or circumstances after the release.

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")

30 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	12,716	47,136
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(9,742)	(37,041)
(c) advertising and marketing	(978)	(3,792)
(d) leased assets	-	-
(e) staff costs	(2,115)	(8,333)
(f) administration and corporate costs	(646)	(2,239)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	11	28
1.5 Interest and other costs of finance paid	(16)	(42)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	411
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(770)	(3,872)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	(23)
(c) property, plant and equipment	(55)	(147)
(d) investments	-	(7)
(e) intellectual property	(396)	(1,555)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(f) other non-current assets	-	-
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	(451)	(1,732)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	3,571
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	-	(220)
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	(59)	(234)
3.10 Net cash from / (used in) financing activities	(59)	3,117

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	4,356	5,563
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(770)	(3,872)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(451)	(1,732)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(59)	3,117
4.5	Effect of movement in exchange rates on cash held	-	
4.6	Cash and cash equivalents at end of period	3,076	3,076

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	3,076	4,356
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)	3,076	4,356

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	176
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, Executive Director remuneration and Director's fees in the quarter

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

7. Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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)	(770)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,076
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	3,076
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	4
<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: 25 July 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.