

# Mad Paws Holdings Ltd

## Has the currency to become top dog

Mad Paws Holdings Ltd (ASX:MPA) is an Australian-based pet services business that began life in 2015 as an on-line marketplace that matches and connects pet owners with pet service providers. The marketplace comprises proprietary technology that has been custom-built for local pet services, is optimised for web, mobile and app, manages payments and provides reviews/ratings. MPA has since expanded by acquiring treat subscription business Waggly, online healthcare/prescriptions business Pet Chemist, and pet accessories retailer Sash to cement and cross-sell services across verticals. MPA listed on the ASX in March 2021, raising \$12m at \$0.20/share. The group raised a further \$6.0m at \$0.18/share in February 2022 while using its listed shares as payment/part payment for both Waggly and Pet Chemist. There are a number of compelling medium-term themes driving customer/revenues growth including increased pet ownership (up 30% between FY19 and FY21 according to Animal Medicines Australia) and the “humanisation” of pets. For the marketplace, the return of international travel offers upside as travellers tend to book minding services for a longer period. Rover (NASDAQ:ROVR) in the US provides a good roadmap for MPA's potential growth, effectively beginning two-three years prior. FY22 marketplace revenues rose 57%, while a first-time contribution was seen from Pet Chemist. Heavy investment in people saw adjusted EBITDA losses increase \$3.5m to \$8.2m, with the focus in FY23 to leverage off this cost base.

### Business model

MPA began and still operates an on-line marketplace connecting service providers with pet owners, predominantly for dog hosting, dog sitting and dog visits. MPA charges a 9% booking fee to “customers” and a 20% commission on the total service fee (less the booking fee) for service providers. The group has had ~264k unique customers since launch in 2015 and is looking to utilise this growing customer base to offer other pet services which now includes subscription food delivery (Dinnerbowl), treat subscriptions (Waggly), accessories (Sash Beds) and on-line healthcare/prescriptions (Pet Chemist) to capture a greater share of a conservatively estimated \$8.0b addressable market.

### A FY23 focus on cost leverage and operating efficiency

Following heavy investment in FY22, central and corporate overheads are expected to be ‘consistent’ over FY23, offering revenue leverage off the existing cost base. Early trading in Q1 FY23 sees ecommerce and subscription revenues +15%-19%, while the marketplace is ‘exceeding expectations and EBITDA positive’. The group’s brands have also been consolidated for an easier customer experience.

### Peers are on-line marketplace operators and on-line retailers

MPA is a mix of a marketplace and online retailing. From a marketplace perspective the likes of Airtasker (ASX:ART) and MyDeal (ASX:MYD) have very similar business models, while on-line retail peers could include luxury retailer Cettire (ASX:CTT) and underwear retailer Step One (ASX:STP). Internationally, Rover (NASDAQ:ROVR) out of the US has a very similar business model (ex-retailing) and very similar drivers.

#### Historical earnings and ratios (in A\$m unless otherwise stated)

Year end	GMV <sup>A</sup>	Revenue	EBITDA adj.*	NPAT adj.	EPS adj.* (c)	EV/Revenue (x)	EV/EBITDA (x)	EV/GMV (x)
06/20a	10.0	2.0	(2.3)	(2.5)	(0.02)	7.5	Nm	1.51
06/21a	12.1	2.9	(4.7)	(5.1)	(0.04)	2.5	Nm	0.58
06/22a	18.2	10.0	(8.2)	(9.9)	(0.04)	3.0	Nm	1.65

Source: Company data; \*EBITDA, NPAT and EPS adjusted for one-time, non-cash items <sup>A</sup>Gross Merchandise Value

## Online Marketplace/Retailing

9<sup>th</sup> September 2022

### Share Details

ASX code	MPA
Share price (8-Sept)	\$0.16
Market capitalisation	\$51.5M
Shares on issue	321.9M
Net cash at 30-Jun-2022	\$5.6M
Free float	~47.4%

### Share Performance (12 months)



### Upside Case

- International travel returns to a larger customer base
- Successful cross-selling across key verticals
- Establishes unassailable market leadership

### Downside Case

- Market entry by offshore major
- Pet Chemist fails to deliver synergies
- Peer multiples contract, impacting valuation

### Catalysts

- Cash flow breakeven
- Accelerated customer growth

### Comparable Companies (Aust/NZ)

Airtasker (ASX:ART), MyDeal (ASX:MYD)

### Board and Management

Jan Pacas	Non-Exec. Chair
Justus Hammer	CEO/Exec. Director
Mike Hill	Non-Exec. Director
Josh May	Non-Exec. Director
Vicki Aristidopoulos	Non-Exec. Director
Graham Mason	CFO

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# FINANCIAL SERVICES GUIDE

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**AFSL 456663**

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- how we are paid, and
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