

A prescription for accelerated growth

Mad Paws Holdings Ltd (ASX:MPA) has announced the acquisition of on-line marketplace/retailer Pet Chemist for \$20m plus a potential \$5m earn-out. Pet Chemist is a combination of an on-line marketplace for pet medication and an online retailer of pet health products. The purchase price represents 2.7x annualised H1 FY22 revenue and will be funded by the issue of \$14.5m in stock at \$0.23/share plus \$5.5m cash to the founders, and a \$7.1m capital raise in the form of a placement and SPP at \$0.18/share. Pet Chemist has 44k active customers which represents ~33% of MPA's existing customer pool. The cross-sell opportunities for the two groups are significant and reflected in the earn-out metrics. From an annualised revenue base of \$7.2m as at December 2021, Pet Chemist will need to achieve revenue of \$16.8m-\$22.5m in FY23 and \$22.8m-\$32.7m in FY24 to qualify for the earn-out. We have used the mid-point of this range to frame our medium-term earnings estimates. The result is material (~23%) EPS upgrades off our (more meaningful) FY26 earnings base. Most of our upside has been built into Pet Chemist, with little change to the rate of customer acquisition for the Mad Paws marketplace and Waggly/Dinner Bowl subscription businesses.

Business model

MPA operates an on-line marketplace which connects service providers with pet owners, predominantly for dog hosting, dog sitting and dog visits. MPA charges a 7% booking fee to "customers" and a 20% commission on the total service fee (less the booking fee) for service providers. The group operates a negative working capital model, with payment received pre-service provision and released post-service provision. The group has had ~133k unique customers since launch in 2015 and is looking to utilise this growing database and acquire new ones to offer other pet services such as food delivery and healthcare to capture a greater share of a conservatively estimated \$8.0b addressable market (now including pet healthcare).

Significant cross-sell & margin opportunities from Pet Chemist

The 44k active customers of Pet Chemist represents ~12 months of customer gains for MPA or ~33% of the current MPA customer base of 133k. This customer base has grown 68% or 18k from 12 months ago, highlighting the growth of the combined MPA/PC offering. There are significant cross-sell opportunities between the marketplace and Pet Chemist given a similar customer demographic, and while we have focused on the opportunity for the MPA marketplace and company infrastructure/human resources to add value to Pet Chemist, the benefits are likely to run both ways.

Valuation increased from \$0.35/share to \$0.43/share diluted

Our DCF valuation for MPA has increased from \$0.35/share to \$0.43/share diluted for all in-the-money options, the issue of shares relating to the Pet Chemist acquisition and a rollover to the next financial year. While there are a number of new assumptions for the valuation, the key is Pet Chemist achieving the mid-point of earnout revenue targets together with a higher gross margin for its OTC/retail business. Our assumptions for the marketplace are unchanged but likely to benefit from the cross-sell opportunities to Pet Chemist customers.

Historical earnings and RaaS estimates (In A\$m unless otherwise stated)

Year end	MKT PLC GMV	Revenue	EBITDA reported	NPAT adjusted	EPS (adj.) (c)	P/E (x)	EV/Sales (x)
06/21a	12.1	2.9	(4.7)	(5.1)	(0.04)	nm	4.9
06/22e	15.7	9.9	(8.1)	(8.5)	(0.03)	nm	4.4
06/23e	25.2	31.1	(4.1)	(4.6)	(0.01)	nm	1.9
06/24e	36.2	49.2	4.1	2.5	0.008	24.4	1.1

Source: Company data; RaaS estimates FY22e, FY23e and FY24e

Software & Services

2nd March 2022

Share Details

ASX code	MPA
Share price (1-Mar)	\$0.185
Market capitalisation*	\$60.0M
Shares on issue*	321.9M
Net cash at 30-Dec-21	\$8.9M
Free float	~44.3%

*Post capital raise

Share Performance (12 months)



Upside Case

- International travel returns to a larger client base
- New product offerings exceed expectations as a % of the existing client base
- Industry consolidation

Downside Case

- Industry competition accelerates and/or offshore player enters
- New product offerings fail to gain scale
- Peer multiples contract, impacting valuation

Board of Directors

Jan Pacas	Non-Executive Chairman
Justus Hammer	CEO/Executive Director
Mike Hill	Non-Executive Director
Josh May	Non-Executive Director
Vicki Aristodopoulos	Non-Executive Director

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H1 FY22 Result Summary

Key commentary regarding the unaudited H1 FY22 result is detailed below:

- Marketplace GMV and revenue growth for the half was in-line with forecast at +38% (to \$6.8m and \$1.35m respectively). Lockdowns in Q1 and Omicron in Q2 were clearly disruptive to travel plans and therefore pet-minding services, so in this context it was a solid result.
- Subscription/e-commerce revenues were below estimates, particularly in Q2 FY22 as the Dinner Bowl supply chain was reviewed. Gross margins were also below expectations (\$200k) as capacity constraints impacted Dinner Bowl supply chain costs (we estimate a GP% of ~10% as a result). Waggly contributed for a full six months for the first time.
- Operating costs (before one-offs) were \$200k higher than expected at \$6.0m, predominantly across the “other” line items. We had forecast higher employee and marketing costs, which were 196% and 103% above the PCP and included Waggly for the first time. Customer acquisition costs are expected to fall materially over time from current levels.

Exhibit 1: MPA H1 FY22 earnings summary

Variable (A\$000')	H1 FY21	H1 FY22	% CHG	Comments
Revenue	0.98	3.34	241%	
Marketplace	0.98	1.35	38%	Solid considering lockdowns
Subscription/other	0.00	1.99	nm	First time Waggly for H1
Gross profit	0.98	1.81	85%	
GP%	100.0%	54.2%		Lower than forecast (\$200k) Margin impacted by subscription business
Operating costs	2.43	6.01	147%	
Employee	0.99	2.93	196%	In-line with forecast
Marketing	0.79	1.65	107%	In-line with forecast
Other	0.64	1.43	123%	Slightly higher than forecast
EBITDA	-1.45	-4.20	190%	
Depreciation	0.11	0.19		
EBIT	-1.56	-4.38	181%	
NPAT before one-offs	-1.58	-4.40	179%	People & marketing investment

Source: Company announcements

Pet Chemist Acquisition

Background

MPA has announced the acquisition of Pet Chemist On-line for \$20m plus a potential earn-out of \$5m should certain revenue targets be achieved in FY23 and FY24. Funding of the acquisition consists of a \$14.5m placement to the founders at \$0.23/share, the payment of \$5.5m cash to the founders, and a capital raise and SPP totalling \$7.1m before costs.

Key observations around of the business and business model of Pet Chemist include:

- The business is a mix of an agency for pet prescription medicine and an on-line retailer of over-the-counter (OTC) animal health products. The marketplace joins a pharmacist with a customer and takes a commission, while the OTC is a typical on-line retailer in the mould of Booktopia (ASX:BKG) and Adore Beauty (ASX:ABY) - that is, it holds inventory in a warehouse, ships by post, is available on-line only and relies on a combination of marketing and return purchases, not foot traffic, to attract customers.
- The medication process within Pet Chemist is a little convoluted, with customers requiring a vet consultation every 12 months and a written script, which then needs to be emailed and sent physically to Pet Chemist before it can engage a pharmacist and supply product. However, Pet Chemists' trusted advice position clearly offsets some of these barriers while upside exists from the digitalisation of scripts.

- FY21 GMV was \$9.0m, split 47% prescription and 53% OTC, while FY21 revenue was \$5.4m. Our analysis suggests this is split \$4.5m OTC and \$0.9m prescription, implying a 15%-20% marketplace commission.
- The group was EBITDA breakeven in FY21 and H1 FY22.
- Pet Chemist has achieved 65% CAGR growth in GMV between 2018 and 2021, with the mix shifting from 80%/20% prescription/OTC to the 47%/53% today.
- Gross margins are said to be 35%, which implies a gross margin for the OTC business of around 22%. This is slightly below the likes of BKG (27.3% in FY21) and ABY (33% in H1 FY22) and as a result has upside as scale builds and additional products are added.
- Inventory requirements are modest with an estimated 650 SKU's taking up a small footprint given the nature/size of most healthcare products.
- There are 44k active customers with an average order value of \$130 for returning customers. 64% of revenue is said to be from returning customers, predominantly for ongoing pet medication. This number is up from ~28k 12 months ago and highlights the recent growth rate in customer acquisition.
- Customer acquisition costs are said to be \$9 against an estimated ~\$50 for MPA.

Cross-sell opportunities

The cross-sell opportunities are key to this acquisition, bringing together the 133k customers from the MPA marketplace (and growing at an average 20k per half over the past three halves) and the 44k active customers from Pet Chemist, itself growing customer numbers by ~18k over the past 12 months. In the table below we look at the revenue opportunities for Pet Chemist at various levels of cross-sell between 5% and 25% of the existing MPA marketplace customer base.

Exhibit 2: Scenario analysis on marketplace customers to Pet Chemist

% marketplace to PC	5%	10%	15%	20%	25%
MPA customer base	133,000	133,000	133,000	133,000	133,000
Add new customers	6,650	13,300	19,950	26,600	33,250
Spend/customer	200	200	200	200	200
Revenue	1,330,000	2,660,000	3,990,000	5,320,000	6,650,000
Gross profit	465,500	931,000	1,396,500	1,862,000	2,327,500
% of PC FY21 GP\$	25%	49%	74%	98%	123%

Source: Company announcements and RaaS estimates

The leverage goes both ways, with existing Pet Chemist customers likely to become customers of the MPA Marketplace, together with Waggly and Dinner Bowl. The table below looks at the potential impact on FY22(f) marketplace revenue assumptions at various levels of cross-sell opportunities for the marketplace between 5% and 25% of the existing Pet Chemist customer base.

Exhibit 3: Scenario analysis on Pet Chemist customers to Marketplace

% Pet Chemist to MP	5%	10%	15%	20%	25%
PC customers	44,000	44,000	44,000	44,000	44,000
add Customers	2,200	4,400	6,600	8,800	11,000
Spend/customer	120	120	120	120	120
GMV	264,000	528,000	792,000	1,056,000	1,320,000
Revenue	71,280	142,560	213,840	285,120	356,400
% FY22 rev	2%	4%	7%	9%	11%

Source: Company announcements and RaaS estimates

Earn-outs provide guide to Pet Chemist upside

From a FY21 base of \$9.0m GMV and revenue of \$5.4m, the earn-out hurdles for Pet Chemist founders to achieve an additional \$5m in cash and scrip require:

- FY23 revenue of between \$16.8m (partial) and \$22.8m (full); and
- FY24 revenue of between \$22.8m (partial) and \$32.7m (full).

To achieve these targets the business needs a combination of customer growth and higher spend per customer. In the table below we summarise our workings for Pet Chemist over the medium-term, noting our FY23 and FY24 assumptions sit at the mid-point of required earn-out hurdles. The OTC business is expected to grow at a faster rate than the prescription business, which has been the case over the past three years.

Exhibit 4: Pet Chemist earnings estimates

FY to June	2021	2022	2023	2024	2025
Active customers (no)	34,000	50,000	82,000	106,000	118,000
GMV (\$m)	9.0	13.5	26.0	39.1	47.8
Pharmacy	4.5	6.9	10.0	13.5	15.0
OTC	4.5	6.6	15.9	25.6	32.8
Revenue (\$m)	5.4	8.0	17.9	28.3	35.8
Pharmacy	0.9	1.4	2.0	2.7	3.0
OTC	4.5	6.6	15.9	25.6	32.8
Gross margin	36%	33%	32%	33%	34%
Pharmacy	100%	100%	100%	100%	100%
OTC	22%	24%	24%	25%	27%

Source: RaaS estimates

Earnings Changes

We have essentially left our existing marketplace and subscription business assumptions unchanged and added Pet Chemist to our estimates. To summarise:

- **Marketplace** earnings assumptions already call for a combination of further customer growth (40k-50k per annum), higher average transaction values (off a travel-disrupted base), lower cancellation rates (ditto) and lower marketing/customer acquisition costs from FY23.
- **Waggly**. From an estimated 3k subscribers currently we have subscribers reaching 10k by H2 FY25 with no change in average spend per customer assumptions. Gross margins are forecast to reach 45% by FY24.
- **Dinner Bowl**. From an estimated subscriber base of 800-1,000 we have subscriber numbers reaching 10k by H2 FY26. This business has the most upside relative to existing forecasts.
- **Pet Chemist**. On the back of existing organic growth and the inclusion of the MPA customer base as a customer source we have assumed strong customer additions for this business over the next five years (from 44k currently to 118k by FY25). We have also assumed 5%-10% growth in average customer spend through this period as new products are added to the portfolio. On the cost front we have taken the current run-rate as a base and assumed 10% growth into FY26. Much of the resources for Pet Chemist growth will come from existing MPA staff/infrastructure.
- **Capex**. We have added \$1m per annum to current capex/software development assumptions to account for the likely growth requirements of Pet Chemist.
- **Shares on issue**. We estimate 321.9m shares on issue before options and earn-outs post completion of the Pet Chemist deal.

Our FY22-FY24 numbers are either loss making or assume a small profit, and as a result the EPS impact of the Pet Chemist acquisition is not meaningful. We would point to FY26 as a more material year to assess the impacts of this acquisition, which we estimate to be ~15% EPS accretive, all else equal.

Exhibit 5: MPA earnings revisions

FY to June	2022	2023	2024	2025	2026
Revenue (\$m)					
Old	8.7	14.4	22.4	31.5	42.3
New	9.9	31.1	49.2	65.5	79.1
% CHG	13%	116%	120%	108%	87%
EBITDA (\$m)					
Old	-6.8	-3.5	0.6	5.1	10.1
New	-8.1	-4.1	4.1	12.3	18.3
% CHG	19%	18%	568%	142%	82%
EPS (cps)					
Old	-0.032	-0.017	0.001	0.015	0.032
New	-0.034	-0.014	0.008	0.026	0.039
% CHG	5%	-16%	595%	67%	23%

Source: RaaS estimates

Valuation Changes

Our DCF valuation for MPA has increased from \$0.35/share to \$0.43/share diluted for all in-the-money options, the issue of shares relating to the Pet Chemist acquisition and incorporating a rollover to the next financial year. Key assumptions include:

- WACC 11.2% including a RFR of 2.0%, equity risk premium of 7.0% and beta 1.3x;
- Medium-term (FY27-FY31) growth rate of 12%, down from 15%;
- 321.9m shares on issue plus 17.5m options;
- Cashflow positive in FY24; and
- No further acquisitions.

Exhibit 6: MPA Financial Summary

Mad Paws (MPA.AX)						Share price (28 February 2022)						A\$		0.185	
Profit and Loss (A\$m)						Interim (A\$m)		H121	H221	H122	H222f	H123f	H223f		
Y/E 30 June	FY20A	FY21A	FY22F	FY23F	FY24F	Revenue	1.0	1.8	3.3	6.5	13.6	17.4			
Revenue	2.0	2.9	9.9	31.1	49.2	EBITDA	(1.4)	(3.3)	(4.2)	(4.0)	(2.6)	(1.5)			
Gross profit	2.0	2.3	5.2	13.8	22.0	EBIT	(1.6)	(3.4)	(4.4)	(4.2)	(2.9)	(1.7)			
GP margin %	100.0%	80.8%	52.7%	44.3%	44.7%	NPAT (normalised)	(1.6)	(3.5)	(4.4)	(4.1)	(2.9)	(1.7)			
Underlying EBITDA	(2.3)	(4.7)	(8.1)	(4.1)	4.1	One-offs	0.0	(1.0)	(0.5)	0.0	0.0	0.0			
Depn	(0.2)	(0.2)	(0.4)	(0.6)	(0.6)	NPAT (reported)	(1.6)	(4.5)	(4.9)	(4.1)	(2.9)	(1.7)			
Amort	0.0	0.0	0.0	0.0	0.0	EPS (normalised)	(0.011)	(0.032)	(0.019)	(0.016)	(0.009)	(0.005)			
EBIT	(2.5)	(4.9)	(8.6)	(4.7)	3.5	EPS (reported)	(0.011)	(0.032)	(0.016)	(0.016)	(0.009)	(0.009)			
Interest	(0.0)	(0.1)	0.0	0.1	0.1	Dividend (cps)	0.000	0.000	0.000	0.000	0.000	0.000			
Tax	0.0	0.0	0.0	0.0	(1.1)										
NPAT	(2.5)	(5.1)	(8.5)	(4.6)	2.5	Operating cash flow	na	na	na	na	na	na			
Adjustments	0.0	0.0	0.0	0.0	0.0	Divisionals	H121	H221	H122	H222f	H123f	H223f			
Adjusted NPAT	(2.5)	(5.1)	(8.5)	(4.6)	2.5	Marketplace	1.0	1.4	1.4	1.9	2.7	2.8			
Abnormals (net)	0.0	(1.0)	(0.5)	0.0	0.0	Dinner Bowl	-	0.4	0.8	1.0	1.5	2.1			
NPAT (reported)	(2.5)	(6.1)	(9.0)	(4.6)	2.5	Insurance	-	0.0	0.0	0.1	0.1	0.1			
Cash flow (A\$m)						Waggly		0.1	1.1	1.4	1.7	2.1			
Y/E 30 June	FY20A	FY21A	FY22F	FY23F	FY24F	Pet Chemist				2.2	7.6	10.3			
EBITDA (inc cash rent)	(2.4)	(4.8)	(8.3)	(4.3)	3.9	Total Revenue	1.0	1.9	3.3	6.5	13.6	17.4			
Interest	(0.0)	(0.1)	0.0	0.1	0.1	Gross profit	1.0	1.3	1.8	3.4	6.2	7.6			
Tax	0.3	0.3	0.1	0.3	0.0	Underlying GP Margin %	100.0%	70.7%	54.6%	52.4%	45.4%	43.8%			
Working capital changes	(0.1)	0.9	(0.0)	0.8	0.9	Operating Costs									
Operating cash flow	(2.2)	(3.7)	(8.2)	(3.1)	4.9	Employment	1.0	2.2	2.9	3.1	3.2	3.4			
Mtce capex	(0.4)	(0.3)	(0.7)	(0.8)	(0.9)	Marketing	0.8	1.3	1.6	1.9	2.3	2.4			
Free cash flow	(2.6)	(4.0)	(8.9)	(3.9)	4.0	Other (Inc PC)	0.6	1.0	1.4	2.4	3.3	3.3			
Growth capex	0.0	0.0	0.0	1.0	1.0	Total costs	2.4	4.6	6.0	7.4	8.8	9.1			
Acquisitions/Disposals	0.0	(2.0)	(20.0)	0.0	0.0										
Other	0.0	(1.1)	(0.5)	0.0	0.0	EBITDA	(1.4)	(3.3)	(4.2)	(4.0)	(2.6)	(1.5)			
Cash flow pre financing	(2.6)	(7.0)	(29.4)	(2.9)	5.0	EBITDA margin %	(147.8%)	(173.4%)	(125.6%)	(60.3%)	(19.4%)	(8.4%)			
Equity	2.5	17.6	21.6	0.0	0.0	Margins, Leverage, Returns		FY20A	FY21A	FY22F	FY23F	FY24F			
Debt	0.0	0.0	0.0	0.0	0.0	EBITDA margin %		(115.1%)	(164.9%)	-82.4%	-13.2%	8.3%			
Net Dividends paid	0.0	0.0	0.0	0.0	0.0	EBIT margin %		(125.1%)	(173.5%)	-86.5%	-15.0%	7.2%			
Net cash flow for year	(0.1)	10.6	(7.8)	(2.9)	5.0	NPAT margin (pre significant items)		(127.0%)	(178.1%)	-86.3%	-14.8%	5.1%			
Balance sheet (A\$m)						Net Debt (Cash)		-1.0	-12.5	-4.9	-1.3	-5.7			
Y/E 30 June	FY20A	FY21A	FY22F	FY23F	FY24F	Net debt/EBITDA (x)	(x)	0.4 x	2.7 x	0.6 x	0.3 x	-1.4 x			
Cash	1.0	12.5	4.9	1.3	5.7	ND/ND+Equity (%)	(%)	48.0%	47.1%	15.6%	5.7%	18.8%			
Accounts receivable	0.0	0.1	0.2	0.3	0.5	EBIT interest cover (x)	(x)	na	na	na	na	0.0x			
Inventory	0.0	0.2	0.3	0.5	0.7	ROA		(113.9%)	(52.0%)	(37.1%)	(16.9%)	12.4%			
Other current assets	0.2	0.4	0.2	0.3	0.3	ROE		nm	nm	nm	nm	nm			
Total current assets	1.2	13.2	5.7	2.4	7.1	ROIC		nm	nm	nm	nm	nm			
PPE	0.0	0.0	0.0	0.0	0.0	NTA (per share)		0.00	0.07	0.01	-0.01	0.00			
Goodwill	0.8	3.6	23.6	23.6	23.6	Working capital		-0.3	-1.0	-0.8	-1.4	-2.2			
Right of use asset	0.2	0.0	0.0	0.0	0.0	WC/Sales (%)		(13.0%)	(34.9%)	(8.4%)	(4.6%)	(4.4%)			
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	Revenue growth		26.7%	42.6%	247.0%	214.0%	58.3%			
Other	0.0	0.1	0.0	0.0	0.0	EBIT growth pa		nm	na	na	na	(175.4%)			
Total non current assets	1.0	3.7	23.6	23.6	23.6	Pricing		FY20A	FY21A	FY22F	FY23F	FY24F			
Total Assets	2.2	16.8	29.3	26.0	30.7	No of shares (y/e)	(m)	114.6	139.0	252.9	321.9	321.9			
Accounts payable	0.3	1.3	1.3	2.2	3.3	Weighted Av Dil Shares	(m)	114.6	139.0	252.9	321.9	321.9			
Short term debt	0.0	0.0	0.0	0.0	0.0										
Contract liabilities	0.0	0.1	0.1	0.1	0.1	EPS Reported	cps	(0.022)	(0.044)	(0.036)	(0.014)	0.008			
Lease liabilities/other	0.6	1.4	1.3	1.7	2.8	EPS Normalised/Diluted	cps	(0.022)	(0.037)	(0.034)	(0.014)	0.008			
Total current liabilities	1.0	2.8	2.7	4.0	6.2	EPS growth (norm/dil)		nm	65%	na	na	-155%			
Long term debt	0.0	0.0	0.0	0.0	0.0	DPS	cps	0.000	0.000	0.000	0.000	0.000			
Other non current liabs	0.2	0.1	0.1	0.1	0.1	DPS Growth		na	na	na	na	na			
Total long term liabilities	0.2	0.1	0.1	0.1	0.1	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%			
Total Liabilities	1.1	2.9	2.7	4.0	6.2	Dividend imputation		30	30	30	30	30			
Net Assets	1.1	14.0	26.5	21.9	24.5	PE (x)		nm	-	5.1	-	13.0	23.8		
						PE market		18	18	18	18	18			
Share capital	10.1	36.9	58.5	58.5	58.5	Premium/(discount)		nm	nm	nm	nm	nm			
Reserves	0.7	(1.3)	(1.3)	(1.3)	(1.3)	EV/EBITDA		(8.8)	(2.8)	(5.1)	(14.2)	0.0			
Retained Earnings	(9.7)	(21.7)	(30.7)	(35.3)	(32.8)	FCF/Share	cps	(2.251)	(2.857)	(3.425)	(1.121)	1.356			
Minorities	0.0	0.0	0.0	0.0	0.0	Price/FCF share		(8.219)	(6.476)	(5.402)	(16.508)	13.646			
Total Shareholder funds	1.1	14.0	26.6	22.0	24.5	Free Cash flow Yield		(4.3%)	(6.7%)	(14.5%)	(6.1%)	7.3%			

Source: Company data, RaaS estimates

FINANCIAL SERVICES GUIDE

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About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License ("AFSL") number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR. This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS's services and includes such things as

- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

Contact Details, BR and RaaS

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RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
 - Securities
- deal on behalf of retail and wholesale clients in relation to
 - Securities

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

We may also receive a fee for our dealing service, from the company issuing the securities.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS's representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR's internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren't satisfied with an outcome, you may contact AFCA, see below. BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

DISCLAIMERS and DISCLOSURES

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Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

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