



ASX Announcement

Mad Paws Holdings Limited (ASX:MPA)

23 February 2022

Mad Paws to Acquire Pet Chemist Online and Announces Capital Raising

Mad Paws Holdings Limited (**ASX:MPA**) ("**Mad Paws**" or the "**Company**") is pleased to announce that it has signed a binding conditional agreement to purchase 100% of Pet Chemist Online ("**Pet Chemist**"), a leading Australian online supplier of pet medication and premium pet healthcare products ("**Acquisition**"). Mad Paws has received binding commitments for a placement of \$5.6 million ("**Placement**") and will launch a Share Purchase Plan ("**SPP**") in coming days to raise up to a further \$1.5 million from existing eligible shareholders.

Highlights

- Mad Paws to acquire 100% of Pet Chemist Online, a leading Australian online supplier of pet medication and premium pet healthcare products
- Synergies and growth initiatives expected to deliver strong revenue growth
- In FY21, Pet Chemist had \$9.0m of GMV, \$5.4m in operating revenue, gross margin of 35% and EBITDA break even
- Combined pro-forma operating revenue of \$8.4m in FY21 and \$11.8m in LTM Dec 2021
- Total consideration of \$25 million with \$20 million upfront consideration and potential deferred consideration of up to \$5.0 million
- Initial consideration comprises \$14.5 million in Mad Paws shares issued at \$0.23 per share, a 16% premium to the 15-day VWAP on 18 February 2022 (\$0.198) and \$5.5 million cash payment
- Initial consideration is equivalent to 2.5x annualised 1H FY22A operating revenue¹
- Upfront cash consideration funded from a fully supported Placement together with a subsequent SPP to raise up to \$7.1 million

About Pet Chemist

Pet Chemist Online is Australia's leading online supplier of pet medication and premium healthcare² products, through the website petchemist.com.au. Pet Chemist Online provides an online marketplace through which customers can purchase parasite control, veterinary diets, and pet health care products and it facilitates the supply of prescription medication.

In FY21, Pet Chemist achieved \$9.0m of GMV², \$5.4m in operating revenue, gross margin of 35% and EBITDA break even. Additionally, Pet Chemist has over 44,000 active and loyal customers with 64% of monthly sales being repeat customers.

By acquiring Pet Chemist Online, the market leader in online pet medication and premium pet healthcare products, Mad Paws continues to execute on its strategy, expanding its products and offerings into the health vertical. The acquisition will add a complementary revenue stream to Mad Paws and will allow it to leverage synergies and cross-selling opportunities to drive growth and shareholder value.

¹ Assuming upfront share consideration valued as at last close share price of \$0.20 on 18 February 2022.

² GMV 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, discount's and GST. For Pet Chemist, GMV includes the order values of medication orders dispatched as agent for the pharmacist.

² Based upon website traffic estimates compiled by Megantic & Similar web – July 21.



Mad Paws Co-founder and CEO, Justus Hammer said: "The combination of Mad Paws and Pet Chemist creates a dominant market leader in online pet medication and premium pet healthcare products with significant growth potential. We are delighted to welcome the Founders of Pet Chemist, Howard and Mel, and the rest of team to Mad Paws and look forward to accelerating the combined Group's growth and performance."

Howard Humphreys, Founder of Pet Chemist said: "We are thrilled to join the Mad Paws team. With greater technology capability, a broader product set and expanded scale, the new Group is extremely well positioned to take advantage of the strong growth trends in the Australian pet market. We look forward to delivering on this exciting potential for the benefit of pet owners and our shareholders."

Acquisition summary

Mad Paws has signed a binding agreement to purchase 100% of the shares in Animal Magnetism Pty Ltd and its subsidiaries, which owns and operates the Pet Chemist Online business for a total consideration of up to \$25 million. The consideration will be paid as follows:

- Upfront consideration of \$20 million comprising:
 - \$5.5 million paid in cash on completion of the Acquisition (subject to net debt and working capital adjustments)
 - \$14.5 million in ordinary, fully paid shares in Mad Paws issued on completion of the Acquisition at an issue price of \$0.23 per share (approximately 63.0 million shares), a 16% premium to the 15-day VWAP on 18 February 2022 (\$0.198)
 - Upfront consideration shares will be voluntarily escrowed (25% to be released 12 months after completion and the remaining in 25% increments every three months thereafter)
- Earnout consideration of up to \$5 million across two earn out tranches:
 - Earn out payable based on satisfaction of certain revenue performance hurdles in FY23 and FY24³
 - Earn outs to be paid 40% cash (up to \$2 million total) and 60% Mad Paws ordinary shares (up to \$3 million total) issued at the 15-day VWAP at 30 June 2023 and 30 June 2024 respectively⁴
 - Earn out consideration shares will be voluntarily escrowed for 6 months after issue

Pet Chemist's founder, Howard Humphreys, will continue to be the CEO of the Pet Chemist business and will also be appointed to the Board of Directors of Mad Paws effective from completion of the Acquisition.⁵ Pet Chemist's Head of Operations, Melissa Cronin (B. Pharm. MPS) will also continue with Pet Chemist post-acquisition. Following the Acquisition, the Pet Chemist vendors are expected to hold approximately 19.5% of Mad Paws share capital.⁶

The share sale agreement for the Acquisition is subject to a number of conditions precedent including shareholder approval for the issue of the upfront consideration shares and earn out consideration shares, completion of the Placement, and other customary conditions, including consents from third parties. Mad Paws intends to convene an extraordinary general meeting (**EGM**) in the coming days to be held in late March 2022 at which approval for the issue of the upfront and

³ Revenue targets for FY23, Pet Chemist business to achieve operating revenue target of \$22.8m for FY23 to receive 100% of earn out, pro rata for increase in revenue beyond \$16.8m. FY24 Revenue target, Pet Chemist business to achieve operating revenue target of \$32.7m for FY24 to receive 100% of earn out, pro rata for increase in revenue beyond \$22.8m.

⁴ The Company intends to seek approval under Listing Rule 7.1 at an extraordinary general meeting to be held in late March 2022 for a maximum issue of 15 million earn out consideration shares (reflecting the full \$3 million earn out achieved and assuming an issue price of \$0.20). Any earn out consideration shares that are calculated to be payable to the vendors in excess of this will be paid in cash.

⁵ Howard Humphreys and Melissa Cronin are majority shareholders of Pet Chemist respectively holding 56% and 20% of existing Pet Chemist shares prior to the Acquisition.

⁶ After completion of the \$5.6 million share placement and assuming the full \$1.5 million is raised in the share purchase plan. Excludes earn out consideration shares.



earn out consideration shares will be sought.⁷ Assuming shareholder approval is obtained at the EGM, Mad Paws expects the Acquisition to be completed in early April 2022.

Capital Raising

Placement

In conjunction with the Acquisition, Mad Paws is pleased to announce that it has received binding commitments from new and existing institutional, sophisticated and professional investors in respect of a share placement to raise approximately \$5.6 million at \$0.18 per share ("**Placement**").

Approximately 31.06 million new fully paid ordinary shares in the Company ("**New Shares**") will be issued under the Placement at an issue price of \$0.18 per New Share ("**Issue Price**"). The Placement is well-supported by the Company's cornerstone investor, Bombora Special Investments Growth Fund, committing \$2.4 million of the Placement (approximately 13.3 million shares)⁸ and will also see the introduction of several new institutional investors to the Company's register.

The \$5.6 million Placement includes \$90,000 worth of New Shares (500,002 New Shares) proposed to be issued to Chairman Jan Pacas, Managing Director Justus Hammer, and non-executive directors Vicki Aristidopoulos and Mike Hill ("**Second Tranche Placement Shares**"). Under ASX Listing Rule 10.11, shareholder approval for the issuance of the Second Tranche Placement Shares will be sought at the EGM to be held in connection with the approval of the Pet Chemist consideration shares. If shareholder approval is obtained at the EGM, the Second Tranche Placement Shares are expected to be issued shortly after the EGM. All other New Shares to be issued under the Placement (approximately 30.56 million shares) ("**First Tranche Placement Shares**") are expected to be issued on 1 March 2022.

New Shares issued in the Placement will be issued under Mad Paws' existing placement capacity under ASX Listing Rule 7.1 and 7.1A. The Placement shares are being issued at a 10.0% discount to the last close price of \$0.20 on 18 February 2022 and 9% discount to the 15-day VWAP of Mad Paws' ordinary shares.

Petra Capital Pty Limited and CCZ Equities Australia Pty Ltd have been appointed joint lead managers and joint bookrunners to the Placement. Talbot Sayer acted as Mad Paws' legal adviser.

Share Purchase Plan

In addition to the Placement, Mad Paws intends to offer existing eligible shareholders the opportunity to participate in a share purchase plan. The SPP allows eligible shareholders, being those shareholders that are residents of Australia or New Zealand that held Mad Paws shares at 7:00pm (AEST) on 22 February 2022 ("**Record Date**"), to subscribe for \$30,000 of New Shares without incurring any brokerage or transaction costs. Mad Paws is targeting raising up to \$1.5 million under the SPP, but reserves the right to accept over subscriptions above \$1.5m million or to scale back applications below \$1.5 million.

New Shares will be offered under the SPP at \$0.18 per share, being the same issue price as the Placement. Up to approximately 8.3 million New Shares are expected to be issued if the full \$1.5 million is raised.

⁷ The Company intends to seek approval at the EGM for shareholders to approve the issue of the upfront and earn out consideration shares under ASX Listing Rule 7.1. The Company has sought a waiver from the ASX under Listing Rule 7.3.4 to extend the time period by which the earn out consideration shares are to be issued (beyond the 3 month time limit after the AGM required by ASX Listing Rule 7.3.4).

⁸ Bombora Special Investments Growth Fund is an investment fund associated with Mike Hill, a Mad Paws non-executive director.



The SPP offer is presently expected to open on 1 March 2022 and close 25 March 2022. The SPP will be subject to eligibility criteria and other terms and conditions which will be set out in the SPP booklet to be lodged on the ASX on or about 28 February 2022 and dispatched to shareholders in due course.

New Shares to be issued under the Placement and SPP will rank equally with existing shares in the Company. The proceeds of the Capital Raising will be used to fund the cash component of the Acquisition and working capital.

Shareholders Meeting

The Company intends to convene an EGM to be held by the end of March 2022 at which approval will be sought for the issue of the upfront and earn out consideration shares under Listing Rule 7.1 and the issue of the Second Tranche Placement Shares. All Directors intend to vote in favour of all resolutions at the meeting (unless they are specifically excluded from being able to vote). A notice of meeting for the EGM is expected to be lodged on the ASX on or about 28 February 2022 and dispatched to shareholders in due course.

Indicative Timetable*

Set out below is an indicative timetable for the completion of the Acquisition and the Capital Raising.

Item	Timetable
SPP Record Date	Tuesday, 22 February 2022 (7pm)
Announcement of Acquisition and Capital Raising, trading halt lifted	Wednesday, 23 February 2022
Settlement of First Tranche Placement Shares	Monday, 28 February 2022
Notice of EGM lodged with ASX and dispatched to eligible shareholders	Monday, 28 February 2022
SPP offer booklet lodged with ASX and dispatched to eligible shareholders	Monday, 28 February 2022
Allotment and issue of First Tranche Placement Shares	Tuesday, 1 March 2022
SPP offer period opens	Tuesday, 1 March 2022 (1pm)
Expected date of ASX quotation of First Tranche Placement Shares	Wednesday, 2 March 2022
SPP offer period closes	Friday, 25 March 2022 (5pm)
EGM to approve the issue of the consideration shares for the Acquisition and the Second Tranche Placement Shares	Thursday, 31 March 2022
Allotment and issue of SPP shares and Second Tranche Placement Shares	Friday, 1 April 2022
Completion of Acquisition and allotment and issue of the Acquisition upfront consideration shares	Friday, 1 April 2022
Expected date of ASX quotation of SPP shares, Second Tranche Placement Shares and Acquisition upfront consideration shares, trading commences on a normal basis	Monday, 4 April 2022

*All dates and times are indicative only, Sydney time and subject to change. The Company reserves the right to amend any or all of these dates and times, subject to the Corporations Act 2001 (Cth), the ASX Listing Rules and other applicable laws and regulations.



Investor Conference Call Details

Mad Paws' Co-Founder and CEO, Justus Hammer, Mad Paws' CFO, Graham Mason, and Pet Chemist CEO, Howard Humphreys will host a conference call at 11:00am AEDT today in relation to today's announcement.

To register to access the webcast please use the following link:
https://zoom.us/webinar/register/WN_4GTKyRysTu2-rcrBsE_Rtg

Further details of the Acquisition and the Capital Raising are set out in the Investor Presentation provided to the ASX on Wednesday 23 February 2022. The Investor Presentation contains important information including key risks and foreign selling restrictions.

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

-ENDS-

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About Mad Paws

Mad Paws is an Australia-based pet services and products business operating in an exciting and growing industry with strong macro tailwinds. The Mad Paws marketplace matches and connects pet owners seeking pet care services, such as pet sitting, walking, day care and grooming, with pet sitters, walkers and other pet service providers, vetted and registered by Mad Paws. Mad Paws has enabled over 1 million pet care services since inception.

Mad Paws is further leveraging its community to build a powerful network that delivers other products and services to this community including healthy human grade pet food through Dinner Bowl and toys and treats, through our Waggly brand.

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

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Disclaimer – forward-looking statements: This release may contain forward-looking statements. These statements are based upon management's current expectations, estimates, projections and beliefs in regards to future events in respect to Mad Paws' business and the industry in which it operates. These forward-looking statements 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 subjected to risk and uncertainties that might be out of control of Mad Paws and may cause actual results to differ from the release. Mad Paws takes no responsibility to make changes to these statements to reflect change of events or circumstances after the release.