PET VALU HOLDINGS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(First Quarter Ended March 29, 2025)

The following Management's Discussion and Analysis ("MD&A") for Pet Valu Holdings Ltd. ("we", "Pet Valu" or the "Company") was prepared as at May 5, 2025 and provides information concerning the Company's financial condition and results of operations for the 13-week period ended March 29, 2025 and March 30, 2024, respectively. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and notes for Q1 2025 (as hereinafter defined) and the Company's audited consolidated financial statements and notes for Fiscal 2024 (as hereinafter defined) and the related MD&A. Additionally, readers should refer to the "Risk Factors" set forth in the Company's annual information form dated March 3, 2025 ("AIF") for further information. Additional information about Pet Valu Holdings Ltd. can be found on SEDAR+ at www.sedarplus.ca.

Basis of Presentation

The Company's audited consolidated financial statements and unaudited condensed interim consolidated financial statements (together, the "consolidated financial statements") have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and International Accounting Standards ("IAS") 34, *Interim Financial Reporting* ("IAS 34"), respectively, using the accounting policies described therein. All amounts are presented in thousands of Canadian dollars unless otherwise indicated and per share amounts. The Company is managed based on one operating and reportable segment.

The Company operates on a 52- or 53-week fiscal year, concluding on the Saturday nearest to December 31. The Company's fiscal quarters conclude on the Saturday nearest to the end of each quarter. Each quarterly period has 13 weeks, except for a 53-week year when the fourth quarter will have 14 weeks. The 13-week periods ended March 29, 2025 and March 30, 2024, represent the Company's results for its first quarter of the relevant financial years.

All references in this MD&A to "Q1 2025" are to the 13-week period ended March 29, 2025, to "Q1 2024" are to the 13-week period ended March 30, 2024, to "Fiscal 2025" are to the 53-week period ending January 3, 2026, and to "Fiscal 2024" are to the 52-week period ended December 28, 2024. Figures presented in this MD&A are in thousands of Canadian dollars unless otherwise indicated.

The unaudited condensed interim consolidated financial statements and accompanying notes for Q1 2025 and this MD&A were authorized for issue by the Company's Board of Directors.

Non-IFRS and Other Financial Measures

This MD&A makes reference to certain non-IFRS measures and non-IFRS ratios. These measures and ratios are not recognized under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of the Company’s results of operations from management’s perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for the Company’s analysis of its financial information reported under IFRS. The Company uses non-IFRS measures, including “EBITDA”, “Adjusted EBITDA”, “Adjusted Net Income”, “Free Cash Flow”, and “Net Capital Expenditures”, and non-IFRS ratios, including "Adjusted EBITDA margin", "Adjusted EBITDA as a percentage of revenue", "Adjusted Net Income as a percentage of revenue", and "Adjusted Net Income per Diluted Share". This MD&A also makes reference to certain supplementary financial measures that are commonly used in the retail industry, including “system-wide sales”, “same-store sales growth (decline)”, "same-store transaction growth (decline)", and "same-store average spend per transaction growth (decline)". These non-IFRS measures, non-IFRS ratios and supplementary financial measures are used to provide investors with supplemental measures of the Company's operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS measures. The Company also believes that securities analysts, investors and other interested parties frequently use such non-IFRS measures, non-IFRS ratios and supplementary financial measures in the evaluation of issuers. Management of the Company uses non-IFRS measures, non-IFRS ratios and supplementary financial measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and to determine components of management compensation. Refer to “Selected Consolidated Financial Information and Industry Metrics” and “Selected Quarterly Results and Performance Measures” for a reconciliation of net income, an IFRS measure, to EBITDA, Adjusted EBITDA and Adjusted Net Income. Refer to "Liquidity and Capital Resources - Free Cash Flow" for a reconciliation of Free Cash Flow.

Forward-Looking Information

This MD&A contains forward-looking information. Forward-looking information is provided as at the date of this MD&A and is based on management’s opinions, estimates and assumptions in light of its experience and perception of historical trends, current trends, current conditions and expected future developments, as well as other factors that management believes appropriate and reasonable in the circumstances. Such forward-looking information is intended to provide information about management's current expectations and plans, and may not be appropriate for other purposes. Pet Valu does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable Canadian securities laws.

Forward-looking information may relate to the Company’s future financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, store openings and enhancements, addressable markets, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “targets”, “expects” or “does not expect”, “is expected”, “an opportunity exists”, “budget”, “scheduled”, “estimates”, “outlook”, “forecasts”, “projection”, “prospects”, “strategy”, “intends”, “anticipates”, “does not anticipate”, “believes”, "continue", or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “should”, “might”, “will”, “will be taken”, “occur” or “be achieved”. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances.

Many factors could cause the Company's actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking information, including, without limitation, the factors discussed in the "Risk Factors" section of this MD&A and in our most recent AIF. A copy of the AIF can be accessed under our profile on SEDAR+ at www.sedarplus.ca. These factors are not intended to represent a complete list of the factors that could affect the Company; however, these factors should be considered carefully.

The purpose of the forward-looking information is to provide the reader with a description of management's current expectations regarding the Company's financial performance and may not be appropriate for other purposes. Readers should not place undue reliance on forward-looking information contained herein. To the extent any forward-looking information in this MD&A constitutes future-oriented financial information, within the meaning of applicable securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information, as with forward-looking information generally, are based on current assumptions and subject to risks, uncertainties and other factors. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Financial Highlights

The following tables set forth the selected financial information and industry metrics for the periods indicated (in thousands, except system-wide stores or as otherwise noted). We refer the reader to the section entitled "How We Assess the Performance of Our Business" of this MD&A for the definition of the items in the following table and, when applicable, to the section entitled "Selected Consolidated Financial Information and Industry Metrics" for reconciliations of non-IFRS measures with the most directly comparable IFRS measures.

Q1 2025 Compared to Q1 2024

	Quarters Ended		
	March 29, 2025	**March 30, 2024**	
	13 weeks	**13 weeks**	**% Change**
Revenue	$ 279,087	$ 260,786	7.0 %
Gross profit margin	33.0 %	33.5 %	n/a
Operating income	$ 37,372	$ 33,299	12.2 %
Net income	$ 21,762	$ 17,518	24.2 %
System-wide sales[(1)]	$ 366,119	$ 352,881	3.8 %
System-wide stores	830	794	4.5 %
Same-store sales growth[(1)]	1.4 %	0.8 %	n/a
Same-store transaction decline[(1)]	(1.1)%	(2.3)%	n/a
Same-store average spend per transaction growth[(1)]	2.6 %	3.2 %	n/a
EBITDA[(2)]	$ 54,388	$ 49,021	10.9 %
Adjusted EBITDA[(2)]	$ 58,738	$ 56,580	3.8 %
Adjusted Net Income[(2)]	$ 25,354	$ 25,334	0.1 %
Adjusted Net Income per Diluted Share[(3)]	$ 0.36	$ 0.35	2.9 %
Free Cash Flow[(2)]	$ 15,301	$ 23,135	(33.9)%

Notes:

(1) System-wide sales, same-store sales growth, same-store transaction decline, and same-store average spend per transaction growth are supplementary financial measures. For further information on supplementary financial measures, see "Non-IFRS and Other Financial Measures".

(2) EBITDA, Adjusted EBITDA, Adjusted Net Income, and Free Cash Flow are non-IFRS measures. Non-IFRS measures are not determined in accordance with IFRS, do not have standardized meanings and may not be comparable to similar financial measures presented by other companies. See "Selected Consolidated Financial Information and Industry Metrics" for a reconciliation of net income, an IFRS measure, to EBITDA, Adjusted EBITDA and Adjusted Net Income. See "– Liquidity and Capital Resources – Free Cash Flow" for a reconciliation of Free Cash Flow.

[3] Adjusted Net Income per Diluted Share is a non-IFRS ratio. Non-IFRS ratios are not determined in accordance with IFRS, do not have standardized meanings and may not be comparable to similar financial measures presented by other companies. For further information on non-IFRS ratios, see "Non-IFRS Measures and Other Financial Measures" and "How We Assess the Performance of our Business".

Overview

Our mission is to be Canada's preferred pet retailer delivering the products, care, expertise, and memorable moments that devoted pet lovers want…locally in stores and everywhere online.

Since opening our first store in 1976, Pet Valu has grown to become Canada's leading retailer of pet food and pet-related supplies. As at the end of Q1 2025, we operate 830 corporate-owned and franchised locations across the country, complemented by a full suite of e-commerce capabilities. Over our history, we have earned the trust and loyalty of devoted pet owners with our compassionate and knowledgeable service, our premium product offering which includes our award-winning proprietary brands, our in-store services and our expanding omni-channel capabilities. This winning strategy is underpinned by our highly flexible operating model which allows us to deliver superior unit economics and growth.

We and our franchisees operate the largest specialty pet store network in Canada, with more than three times the number of stores of our closest specialty pet competitor, putting our stores within five kilometres of over 75% of Canadians. Together with our e-commerce platform, our market presence generates significant brand awareness, provides our channels with access to millions of Canadian pet owners and enables us to earn the leading dollar share in the Canadian pet retail industry. We combine our scale with a highly localized retail strategy allowing us to offer our customers premium products at competitive prices while delivering personalized service. In addition to our nationally recognized and trusted Pet Valu banner, we also operate three banners in British Columbia (Bosley's by Pet Valu, Tisol, and Total Pet), the Paulmac's Pets banner in Ontario, and the Chico banner in Quebec. These longstanding banners are deeply embedded in their respective communities and benefit from the scale of our national operating network.

Recent Developments

Fiscal 2024:

2024 Secondary Offering

On May 15, 2024, a secondary offering (the "2024 Secondary Offering") of the Company's common shares was completed by its principal shareholders on a bought deal basis. The 2024 Secondary Offering of 5,903,000 common shares at an offering price of $29.65 per common share raised gross proceeds of $175.0 million for the principal shareholders. The Company did not issue additional common shares or receive any of the proceeds from the 2024 Secondary Offering. Underwriting fees were paid by the principal shareholders, and other expenses related to the 2024 Secondary Offering of approximately $0.2 million were paid by the Company and included in selling, general and administrative expenses in Fiscal 2024.

Opening of Metro Vancouver Region ("MVR") Distribution Centre

In July 2024, the Company officially commenced operation of its new MVR distribution centre, a 350,000 square foot, LEED-Gold certified distribution centre in Surrey, British Columbia, representing another key milestone in the Company's nationwide supply chain transformation.

New Calgary Distribution Centre

On October 18, 2024, the Company entered into a lease agreement for a new 300,000 square foot distribution centre in Calgary, Alberta.

Amendment of Credit Agreement

On October 31, 2024, the Company amended its credit agreement in order to, among other things, extend the term to October 31, 2029 and increase the borrowing capacity of the revolving facility to $175,000.

2024 Normal Course Issuer Bid

On November 28, 2024, the Company announced that the TSX had accepted its notice of intention to renew its normal course issuer bid ("2024 NCIB"). Pursuant to the 2024 NCIB, the Company may purchase for cancellation, up to an aggregate of 3,572,004 common shares, representing approximately 5% of the Company's issued and outstanding common shares as at November 18, 2024. The 2024 NCIB commenced on December 2, 2024, and will continue until the earliest of (a) the close of trading on December 1, 2025, (b) the date upon which the Company acquires the maximum number of common shares to be purchased under the 2024 NCIB, and (c) the date on which the Company provides written notice of termination of the 2024 NCIB to the TSX.

Effective December 2, 2024, the Company entered into an automatic share purchase plan ("2024 ASPP"), with a designated broker, in connection with the 2024 NCIB to facilitate the purchase of common shares during certain periods when the Company would not be permitted to purchase shares due to regulatory restrictions or a self-imposed blackout period. Before entering a blackout period, the Company may, but is not required to, instruct its designated broker to make purchases at the broker's sole discretion and based on parameters set by the Company in accordance with the ASPP, NCIB, TSX rules, and applicable securities laws.

Selected Consolidated Financial Information and Industry Metrics

The following table summarizes the Company's recent results of operations and selected financial position data for the periods indicated. The selected consolidated financial information set out below has been derived from our unaudited condensed interim consolidated financial statements and related notes (in thousands unless otherwise noted).

	Quarters Ended	
	March 29, 2025	**March 30, 2024**
	13 weeks	**13 weeks**
Revenue		
Retail sales	$ 99,721	$ 100,309
Franchise and other revenues	179,366	160,477
Total revenue	**279,087**	**260,786**
Cost of sales	187,032	173,435
Gross profit	**92,055**	**87,351**
Selling, general and administrative expenses	54,683	54,052
Total operating income	**37,372**	**33,299**
Interest expenses, net	7,132	8,555
Loss on foreign exchange	239	397
Income before income taxes	**30,001**	**24,347**
Income tax expense	8,239	6,829
Net income	**21,762**	**17,518**
Basic net income per share attributable to the common shareholders	$ 0.31	$ 0.25
Diluted net income per share attributable to the common shareholders	$ 0.31	$ 0.24

	Fiscal Year Ended	
	March 29, 2025	**December 28, 2024**
Total assets	$ 1,004,241	$ 970,931
Total non-current liabilities	715,179	690,762

The following table provides a reconciliation of net income to EBITDA and Adjusted EBITDA for the periods indicated (in thousands unless otherwise noted):

	Quarters Ended	
	March 29, 2025	**March 30, 2024**
	13 weeks	**13 weeks**
Reconciliation of net income to Adjusted EBITDA:		
Net income	$ 21,762	$ 17,518
Depreciation and amortization	17,255	16,119
Interest expenses, net	7,132	8,555
Income tax expense	8,239	6,829
EBITDA	**54,388**	**49,021**
Adjustments to EBITDA:		
Transformation costs[1]	1,435	3,637
Other professional fees[2]	18	456
Share-based compensation[3]	2,658	3,069
Loss on foreign exchange[4]	239	397
Adjusted EBITDA	**$ 58,738**	**$ 56,580**
Adjusted EBITDA as a percentage of revenue[5]	**21.0%**	**21.7%**

Notes:

(1) Represents discrete, project-based implementation costs associated with new information technology systems and discrete Software-as-a-Service ("SaaS") arrangements for transformational initiatives supporting e-commerce and omni-channel capabilities, merchandise, customer relationship management and other key processes (Q1 2025 – $0.3 million, Q1 2024 – $2.1 million). Also, represents expenses associated with supply chain and merchandise transformation initiatives, such as duplicative warehousing and distribution costs, implementation costs associated with new information technology systems and other transition costs incurred during the transition to a new distribution centre (Q1 2025 – $1.1 million, Q1 2024 – $1.5 million). The expenses included in cost of sales in Q1 2025 were $0.2 million (Q1 2024 – $0.7 million). The expenses included in selling, general, and administrative expenses in Q1 2025 were $1.2 million (Q1 2024 – $2.9 million).

(2) Represents professional fees primarily incurred with respect to the Canada Revenue Agency's ("CRA") examination of the Company's Canadian tax filings discussed in the "Income Taxes" section.

(3) Represents share-based compensation in respect of our amended and restated share option plan, long-term incentive plan, and deferred share unit plan.

(4) Represents foreign exchange gains and losses.

(5) Adjusted EBITDA as a percentage of revenue is a non-IFRS ratio. Non-IFRS ratios are not determined in accordance with IFRS, do not have standardized meanings and may not be comparable to similar financial measures presented by other companies. For further information on non-IFRS ratios, see "Non-IFRS Measures and Other Financial Measures" and "How We Assess the Performance of our Business".

The following table provides a reconciliation of net income to Adjusted Net Income for the periods indicated (in thousands unless otherwise noted):

	Quarters Ended	
	March 29, 2025	**March 30, 2024**
	13 weeks	**13 weeks**
Reconciliation of net income to Adjusted Net Income:		
Net income	$ 21,762	$ 17,518
Adjustments to net income:		
Transformation costs[1]	1,643	6,288
Other professional fees[2]	18	456
Share-based compensation[3]	2,658	3,069
Loss on foreign exchange[4]	239	397
Tax effect of adjustments to net income	(966)	(2,394)
Adjusted Net Income	**$ 25,354**	**$ 25,334**
Adjusted Net Income as a percentage of revenue[5]	**9.1%**	**9.7%**
Adjusted Net Income per Diluted Share	**$ 0.36**	**$ 0.35**

Notes:

(1) Represents discrete, project-based implementation costs associated with new information technology systems and discrete SaaS arrangements for transformational initiatives supporting e-commerce and omni-channel capabilities, merchandise, customer relationship management and other key processes (Q1 2025 – $0.3 million, Q1 2024 – $2.1 million). Also, represents expenses associated with supply chain and merchandise transformation initiatives (Q1 2025 – $1.3 million, Q1 2024 – $4.2 million), such as duplicative warehousing and distribution costs, implementation costs associated with new information technology systems, and other transition costs incurred during the transition to a new distribution centre including duplicative depreciation expense on property and equipment and right-of-use assets, and interest expense on lease liabilities. The expenses included in cost of sales in Q1 2025 were $0.3 million (Q1 2024 – $2.4 million). The expenses included in selling, general, and administrative expenses in Q1 2025 were $1.2 million (Q1 2024 – $2.9 million). The interest expense on the lease liability in Q1 2025 was $0.1 million (Q1 2024 – $1.0 million).

(2) Represents professional fees primarily incurred with respect to the CRA's examination of the Company's Canadian tax filings discussed in the "Income Taxes" section.

(3) Represents share-based compensation in respect of our amended and restated share option plan, long-term incentive plan, and deferred share unit plan.

(4) Represents foreign exchange gains and losses.

(5) Adjusted Net Income as a percentage of revenue is a non-IFRS ratio. Non-IFRS ratios are not determined in accordance with IFRS, do not have standardized meanings and may not be comparable to similar financial measures presented by other companies. For further information on non-IFRS ratios, see "Non-IFRS Measures and Other Financial Measures" and "How We Assess the Performance of our Business".

Supplemental Information on Leased Premises

The table below provides additional information on expenses for leased premises associated with the application of IFRS 16, *Leases*.

	Quarters Ended	
	March 29, 2025	March 30, 2024
	13 weeks	13 weeks
Depreciation expense on right-of-use assets[1]	$ 8,896	$ 8,715
Interest expense on lease liabilities[1]	6,042	5,708
Interest income on lease receivables[1]	(2,603)	(2,415)
Net depreciation and interest expense associated to leased premises	**$ 12,335**	**$ 12,008**

Note:
[1] Represents income and expenses for leased premises included in the unaudited condensed interim consolidated statements of financial position related to the application of IFRS 16, *Leases*. Specifically, this includes depreciation on right-of-use assets for leased premises, interest expense on lease liabilities for leased premises and interest income on lease receivables. For additional information, refer to the unaudited condensed interim consolidated financial statements for the periods ended March 29, 2025 and March 30, 2024.

Summary of Factors Affecting Performance

We believe that our performance and future success depends on a number of factors that present significant opportunities for us. These factors are also subject to, and may pose, a number of inherent risks and challenges. Refer to "Risk Factors" in our most recent AIF for additional information.

Store Expansion and Enhancement

Between 2022 and 2024, we grew our store network at a compound annual growth rate of 9.2%, having opened 45 net new stores and acquired 66 franchised stores as part of the Chico acquisition in 2022, 39 net new stores in 2023, and 41 net new stores in 2024. In Fiscal 2025, the Company plans to open approximately 40 new stores, including both corporate-owned and franchised stores. In addition to opening new stores, the Company has increased sales and operating results by enhancing elements of its existing stores by enlarging square footage, adding in-store services, and relocating or renovating stores. From 2022 to 2024, we and our franchisees expanded, renovated, or relocated an average of 38 stores per year. The Company and its franchisees plan to expand, renovate or relocate between 20 to 30 stores in Fiscal 2025.

The following table summarizes the change in the Company's store count for the periods indicated:

	Quarters Ended	
	March 29, 2025	**March 30, 2024**
	13 weeks	**13 weeks**
Corporate-owned stores:		
Beginning of period	220	222
New stores opened	5	8
Re-franchised[(1)]	(1)	(2)
Franchise acquisition[(1)]	1	—
Stores closed	(1)	—
Corporate-owned stores end of period	**224**	**228**
Franchised stores:		
Beginning of period	604	561
New stores opened	2	3
Re-franchised[(1)]	1	2
Franchise acquisition[(1)]	(1)	—
Franchised stores end of period	**606**	**566**
System-wide stores	**830**	**794**
Stores renovated, expanded or relocated[(2)]	**10**	**7**

Notes:

(1) Re-franchised means a store previously run as a corporate-owned store and now owned and operated by a franchisee. Franchise acquisition means a store previously run by a franchisee now owned and operated by the Company as a corporate-owned store.

(2) During Q1 2025 and Q1 2024, the Company renovated, expanded, or relocated a total of six and five corporate-owned stores, respectively. During Q1 2025 and Q1 2024, there were four and two franchised stores renovated, expanded, or relocated, respectively.

How We Assess the Performance of Our Business

Revenue. The Company's revenue is comprised of retail sales and franchise and other revenues. The following is a brief description of the components of our revenue:

- The Company's retail sales include corporate-owned retail store and e-commerce merchandise sales as well as in-store grooming and dog wash services. Retail sales are net of sales tax collected from the customer on behalf of government authorities.

- Franchise and other revenues include both one-time and ongoing amounts, consisting of initial and renewal franchise fees, royalties, percentage rent and common area maintenance and realty tax revenues from properties subleased to franchisees, wholesale merchandise sales, promotion fees, and fees for other services. Franchise royalties, promotion fees and percentage rent are based on a percentage of the franchisees' retail sales. Percentage rent represents the Company's variable participation in sales performance when such figure is in excess of a contractual minimum base rent. The portion in excess of base rent is included in royalties and sublease revenues.

Cost of sales. Cost of sales reflects inventory and product-related costs, warehousing and distribution costs, depreciation expense for store right-of-use assets and distribution centre assets and occupancy costs related to store operations, such as variable lease payments, common area maintenance, utilities and general store maintenance.

Gross profit. Gross profit reflects our revenue less cost of sales.

Gross profit margin. Gross profit margin is defined as gross profit as a percentage of revenue and is impacted by components of cost of sales, product mix and markdowns.

Selling, general and administrative expenses. Selling, general and administrative expenses ("SG&A") are predominantly comprised of wages, benefits, share-based compensation, franchise development expenses, travel, marketing, professional fees and other expenses related to the corporate infrastructure required to support our corporate-owned and franchised stores. SG&A expenses also include depreciation and amortization expenses for all property and equipment at corporate-owned stores and the corporate office, intangible assets, and corporate office right-of-use assets.

Operating income. Operating income is defined as gross profit less selling, general and administrative expense*s.*

EBITDA. EBITDA is defined as net income before interest expense (net), income tax expense (recovery) and depreciation and amortization.

Adjusted EBITDA. Adjusted EBITDA is defined as net income before interest expense (net), income tax expense (recovery) and depreciation and amortization adjusted for the impact of certain expenses, costs or benefits incurred which in management's view are not indicative of the underlying business performance, including transformation costs, other professional fees, share-based compensation expense, asset impairments, gain or loss on foreign exchange, and investment in associate. Refer to the sections entitled "Selected Consolidated Financial Information and Industry Metrics" and "Selected Quarterly Results and Performance Measures" for additional information on these items. We believe Adjusted EBITDA is a useful measure of operating performance as it provides a more relevant picture of operating results by facilitating a comparison of our performance on a consistent basis from period-to-period and provides a more complete understanding of factors and trends affecting our business.

Adjusted EBITDA as a percentage of revenue or Adjusted EBITDA margin. Adjusted EBITDA as percentage of revenue or Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenue. We believe Adjusted EBITDA as a percentage of revenue or Adjusted EBITDA margin is a useful measure to assess performance as it facilitates a comparison of our operating performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting our business.

*Adjusted Net Income. A*djusted Net Income is defined as net income, adjusted for the impact of certain expenses, costs or benefits incurred which in management's view are not indicative of the underlying business performance, including transformation costs, other professional fees, share-based compensation expense, asset impairments, gain on modification of debt, gain or loss on foreign exchange, and investment in associate. Refer to the sections entitled "Selected Consolidated Financial Information and Industry Metrics" and "Selected Quarterly Results and Performance Measures" for additional information on these items. We believe Adjusted Net Income is a useful measure of performance, as it provides a more relevant picture of results and facilitates a comparison of our performance on a consistent basis from period-to-period and provides a more complete understanding of factors and trends affecting our business.

Adjusted Net Income as a percentage of revenue. Adjusted Net Income as a percentage of revenue is defined as Adjusted Net Income divided by revenue. We believe Adjusted Net Income as a percentage of revenue is a useful measure to assess performance as it facilitates a comparison of our operating performance on a consistent basis from period-to-period and provides a more complete understanding of factors and trends affecting our business.

Adjusted Net Income per Diluted Share. Adjusted Net Income per Diluted Share is defined as Adjusted Net Income divided by the total weighted average number of outstanding diluted common shares at the end of the most recently completed quarter for the relevant period. We believe Adjusted Net Income per Diluted Share is a useful measure to assess the performance of the Company.

Free Cash Flow. Free Cash Flow is defined as net cash generated from operating activities and investing activities less repayments of principal on lease liabilities, interest on lease liabilities and notes receivables. It is a key metric as an indicator of how much cash is available for debt repayment, shareholder distributions, re-investment in the Company and other financing activities. Our ability to generate Free Cash Flow is an indicator of the financial strength of our business, as we require capital expenditures to build and maintain stores and purchase new equipment to improve our business and infrastructure.

Net Capital Expenditures. Net Capital Expenditures represents purchases of property and equipment, purchase of intangible assets, proceeds on disposal of property and equipment and tenant allowances on a cash basis as disclosed in our consolidated statements of cash flows in the investing activities. Net Capital Expenditures is used by management as an indicator of investment in long-term growth and operational capacity.

System-wide stores. System-wide stores reflects the number of total stores, including corporate-owned and franchised stores, open across the system at the end of a particular reporting period. The number of corporate-owned and franchised stores along with the number of operating weeks is used by management to evaluate new store growth, system-wide sales, franchise revenues and store performance.

System-wide sales. System-wide sales reflects the aggregation of retail sales at corporate-owned stores, e-commerce sales, plus the franchise retail sales occurring at franchised stores to their customers. This measure allows management to assess changes in the Company's overall system performance, the health of its brand and the strength of its market position relative to its competitors. System-wide sales are driven by the number of system-wide stores open in any period and their respective growth. For clarity, franchise retail sales are not included in the total revenue figure. The Company's revenue reflects retail sales and franchise and other revenue as defined under the definition of revenue above.

Same-store sales growth (decline). Same-store sales growth (decline) is defined as the percentage change in retail sales generated by system-wide stores, that have been opened for at least 52 weeks and e-commerce sales relative to the same period in the prior fiscal year. Stores that are renovated, expanded, or relocated are included in the metric on the first day of operation if the original store was open for at least 52 weeks. Stores that are acquired through business acquisitions are excluded from this metric for at least 52 weeks from the date of the acquisition. The primary drivers of same-store sales growth (decline) are changes in the transaction count and the average spend per transaction. Same-store sales growth (decline) is used by management to better understand our business as it explains what portion of the sales change is attributable to established stores and what portion can be attributed to the opening of new stores.

Same-store transaction growth (decline). Same-store transaction growth (decline) is defined as the percentage change in the number of store transactions generated by system-wide stores, that have been opened for at least 52 weeks and e-commerce sales relative to the same period in the prior fiscal year. Stores that are renovated, expanded, or relocated are included in the metric on the first day of operation if the original store was open for at least 52 weeks. Stores that are acquired through business acquisitions are excluded from this metric for at least 52 weeks from the date of the acquisition.

Same-store average spend per transaction growth (decline). Same-store average spend per transaction growth (decline) is defined as retail sales generated by system-wide stores, that have been opened for at least 52 weeks and e-commerce sales relative to the same period in the prior fiscal year divided by the number of same-store transactions generated by system-wide stores, unless otherwise noted, that have been opened for at least 52 weeks and e-commerce sales relative to the same period in the prior fiscal year. Stores that are acquired through business acquisitions are excluded from this metric for at least 52 weeks from the date of the acquisition.

Changes during Q1 2025

During Q1 2025, a change was made to the composition of non-IFRS measures Adjusted EBITDA and Adjusted Net Income. Specifically, the "information technology transformation costs" and "business transformation costs" captions were combined, for presentation purposes into "transformation costs". This change was made to simplify presentation given that significant projects have (and are expected to continue to have) a combination of information technology costs and business costs. Comparative information was restated to be presented on this basis and the change had no overall impact on these non-IFRS measures.

Results of Operations

Analysis of Results for Q1 2025 compared to Q1 2024

Revenue. Total revenue was $279.1 million in Q1 2025, an increase of $18.3 million, or 7.0%, compared to $260.8 million in Q1 2024. The increase in revenue was mostly driven by growth in franchise and other revenues and partially offset by a decline in retail sales, as described in more detail below.

Retail sales. Retail sales were $99.7 million in Q1 2025, a decrease of $0.6 million, or 0.6%, as compared to $100.3 million in Q1 2024. The decrease in retail sales was primarily attributable to re-franchised stores and partially offset by same-store sales growth and retail sales from new stores opened in the last 12 months.

Franchise and other revenues. Franchise and other revenues were $179.4 million in Q1 2025, an increase of $18.9 million, or 11.8%, as compared to $160.5 million in Q1 2024. The increase in franchise and other revenues was mostly due to higher wholesale merchandise sales of $17.5 million and higher royalties and sub-lease revenues of $2.1 million due to the growth in wholesale penetration as well as a higher number of re-franchised and new stores.

Same-store sales growth (decline). Same-store sales growth was 1.4% in Q1 2025, primarily driven by a 2.6% increase in same-store average spend per transaction growth partially offset by a 1.1% same-store transaction decline. This is compared to same-store sales growth of 0.8% in Q1 2024, which primarily consisted of a 3.2% increase in same-store average spend per transaction growth partially offset by a 2.3% same-store transaction decline.

Gross profit. Gross profit increased by $4.7 million, or 5.4%, to $92.1 million in Q1 2025, compared to $87.4 million in Q1 2024. Gross profit margin was 33.0% in Q1 2025, compared to 33.5% in Q1 2024. Excluding costs related to the supply chain transformation of 0.1% in Q1 2025 and 0.9% in Q1 2024, the gross profit margin was 33.1% in Q1 2025 and 34.4% in Q1 2024, respectively, and decreased by 1.3%. The decrease was primarily driven by: (i) wholesale merchandise sales; (ii) unfavorable product mix; and (iii) higher distribution and occupancy costs.

SG&A expenses. SG&A expenses were $54.7 million in Q1 2025, an increase of $0.6 million, or 1.2%, compared to $54.1 million in Q1 2024. SG&A expenses represented 19.6% and 20.7% of total revenue for Q1 2025 and Q1 2024, respectively. The increase of $0.6 million in SG&A expenses was primarily due to: (i) increased compensation costs; (ii) lower gain on sale of assets for re-franchised stores and other leasing costs; (iii) higher depreciation and amortization from store growth and investments in other assets; and (iv) higher marketing and advertising expenses; partially offset by (v) lower technology expenditures.

Operating income. Operating income increased by $4.1 million to $37.4 million in Q1 2025, compared to $33.3 million in Q1 2024. The increase in operating income is explained by the factors impacting gross profit and SG&A expenses described above.

Net interest expense. Net interest expense was $7.1 million in Q1 2025, a decrease of $1.4 million, or 16.6%, compared to $8.6 million in Q1 2024. The decrease was primarily driven by lower interest expense on the term facility resulting from lower interest rates and debt outstanding compared to Q1 2024.

Income taxes. Income taxes were $8.2 million in Q1 2025 compared to $6.8 million in Q1 2024, an increase of $1.4 million year over year. The increase in income taxes was primarily the result of higher taxable earnings in Q1 2025. The effective income tax rate was 27.5% in Q1 2025 compared to 28.0% in Q1 2024. The Q1 2025 and Q1 2024 effective tax rates were higher than the blended statutory rate of 26.5% due to non-deductible expenses.

Net income. Net income increased by $4.2 million to $21.8 million in Q1 2025, compared to $17.5 million in Q1 2024. The increase in net income is primarily explained by higher operating income, lower net interest expense, and lower loss on foreign exchange, partially offset by higher income taxes, as described above.

Diluted net income per share attributable to the common shareholders. Diluted net income per share attributable to the common shareholders increased by $0.07 to $0.31 in Q1 2025, compared to $0.24 in Q1 2024. The 29.2% year over year increase is primarily due to the factors explained above.

Adjusted EBITDA. Adjusted EBITDA increased by $2.2 million, or 3.8%, to $58.7 million in Q1 2025, compared to $56.6 million in Q1 2024. The increase is explained by higher EBITDA of $5.4 million and $3.2 million of net lower adjustments from EBITDA for Q1 2025 compared to Q1 2024 from lower transformation costs, other professional fees, share-based compensation, and lower loss on foreign exchange. Adjusted EBITDA as a percentage of revenue was 21.0% and 21.7% in Q1 2025 and Q1 2024, respectively.

Adjusted Net Income. Adjusted Net Income increased by $0.1 million to $25.4 million in Q1 2025, compared to $25.3 million in Q1 2024. Adjusted Net Income as a percentage of revenue was 9.1% in Q1 2025 and 9.7% in Q1 2024, respectively. The increase is explained by the changes in net income described above, and net lower adjustments for Q1 2025 compared to Q1 2024 from lower transformation costs, which includes the adjustment for duplicative depreciation expense on property and equipment, and right-of-use assets and interest expense on lease liabilities related to the supply chain transformation initiatives, lower other professional fees, lower share-based compensation, and lower loss on foreign exchange.

Adjuste*d Net Income per Diluted Share.* Adjusted Net Income per Diluted Share increased by $0.01 to $0.36 in Q1 2025, compared to $0.35 in Q1 2024. The 2.9% year over year increase results primarily from the changes in Adjusted Net Income and the factors described above.

Total Assets

Q1 2025 compared to Fiscal 2024

Total assets were $1,004.2 million at Q1 2025, an increase of $33.3 million or 3.4%, compared to $970.9 million at Fiscal 2024. The increase was mostly explained by an increase in right-of-use assets by $22.7 million due to the new Calgary distribution centre in addition to the renewal of existing leases, and growth in store count, an increase in inventory of $9.1 million due to replenishment following the holiday season and to support the growth of our store network and wholesale penetration, an increase in property and equipment of $2.3 million mostly due to the new Calgary distribution centre and leasehold improvements for stores, an increase in cash of $1.7 million (refer to "Liquidity and Capital Resources"), an increase in income tax recoverable of $1.6 million from timing of corporate tax instalments, an increase in lease receivables of $1.2 million resulting from the renewal of existing leases and growth in store count, partially offset by a decrease in accounts and other receivables of $5.0 million primarily due to timing of franchise receivables.

Total Non-Current Liabilities

Q1 2025 compared to Fiscal 2024

Total non-current liabilities were $715.2 million at Q1 2025, an increase of $24.4 million or 3.5%, compared to $690.8 million at Fiscal 2024. The increase was mostly driven by an increase in long-term lease liabilities of $24.9 million resulting from the new Calgary distribution centre in addition to the renewal of existing leases, and growth in store count; partially offset by a decrease in other liabilities of $0.6 million due to the reclassification of certain cash-settled restricted share units and performance share units to current liabilities.

Selected Quarterly Results and Performance Measures

The following table summarizes selected results of the Company's operations for the last eight most recently completed quarters (information is in thousands of Canadian dollars unless otherwise noted). The unaudited quarterly results, excluding other performance measures, have been prepared in accordance with IFRS Accounting Standards. Due to seasonality, the results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year. In general, the fourth quarter has the strongest volume due to the holiday season. Additionally, quarterly performance can be impacted by the timing of holidays and significant weather changes.

	Fiscal 2025	Fiscal 2024				Fiscal 2023		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	13 weeks	13 weeks	13 weeks	13 weeks	13 weeks	13 weeks	13 weeks	13 weeks
IFRS Measures								
Revenue	$279,087	$295,149	$276,030	$265,228	$260,786	$286,908	$262,294	$ 256,373
Gross profit	$ 92,055	$100,216	$ 89,379	$ 87,693	$ 87,351	$ 98,501	$ 87,317	$ 92,105
Gross profit margin	33.0%	34.0%	32.4%	33.1%	33.5%	34.3%	33.3%	35.9%
Operating Income	$ 37,372	$ 47,872	$ 40,356	$ 33,796	$ 33,299	$ 48,265	$ 37,370	$ 40,224
Net income	$ 21,762	$ 28,905	$ 23,158	$ 17,839	$ 17,518	$ 28,765	$ 17,976	$ 24,078
Weighted average number of common shares *(in thousands)*	70,592	71,334	71,679	71,495	71,464	71,464	71,464	71,234
Weighted average number of diluted common shares *(in thousands)*	71,056	71,858	72,423	72,461	72,514	72,296	72,138	72,294
Basic net income per share attributable to the common shareholders	$ 0.31	$ 0.41	$ 0.32	$ 0.25	$ 0.25	$ 0.40	$ 0.25	$ 0.34
Diluted net income per share attributable to the common shareholders	$ 0.31	$ 0.40	$ 0.32	$ 0.25	$ 0.24	$ 0.40	$ 0.25	$ 0.33
Non-IFRS Measures and Supplementary Financial Measures								
System-wide sales	$366,119	$388,094	$358,195	$353,692	$352,881	$379,013	$357,153	$ 343,918
System-wide stores	830	824	805	799	794	783	766	758
Same-store sales growth (decline)	1.4%	(0.2%)	(2.5%)	0.0%	0.8%	1.9%	4.2%	6.0%
EBITDA	$ 54,388	$ 63,391	$ 56,987	$ 50,001	$ 49,021	$ 63,520	$ 48,151	$ 51,108
Adjusted EBITDA	$ 58,738	$ 68,173	$ 64,599	$ 57,731	$ 56,580	$ 71,256	$ 57,167	$ 53,817
Adjusted Net Income	$ 25,354	$ 32,183	$ 29,929	$ 25,881	$ 25,334	$ 39,096	$ 28,222	$ 26,268
Adjusted Net Income per Diluted Share	$ 0.36	$ 0.45	$ 0.41	$ 0.36	$ 0.35	$ 0.54	$ 0.39	$ 0.36

The following table provides a reconciliation of net income to EBITDA and Adjusted EBITDA for the periods indicated (in thousands unless otherwise noted):

	Fiscal 2024				Fiscal 2023		
	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	13 weeks	13 weeks	13 weeks	13 weeks	13 weeks	13 weeks	13 weeks
Reconciliation of net income to Adjusted EBITDA:							
Net income	$ 28,905	$ 23,158	$ 17,839	$ 17,518	$ 28,765	$ 17,976	$ 24,078
Depreciation and amortization	16,784	16,531	16,479	16,119	14,999	14,187	10,904
Interest expenses, net	6,552	8,326	8,670	8,555	8,456	8,128	7,155
Income tax expense	11,150	8,972	7,013	6,829	11,300	7,860	8,971
EBITDA	**63,391**	**56,987**	**50,001**	**49,021**	**63,520**	**48,151**	**51,108**
Adjustments to EBITDA:							
Transformation costs(1)	2,376	5,324	5,345	3,637	4,901	4,418	1,377
Other professional fees(2)	221	239	302	456	225	167	349
Share-based compensation(3)	176	2,149	1,809	3,069	2,866	1,025	963
Asset impairments(4)	744	—	—	—	—	—	—
Loss (gain) on foreign exchange(5)	1,265	(100)	274	397	(256)	246	(113)
Investment in associate(6)	—	—	—	—	—	3,160	133
Adjusted EBITDA	**$ 68,173**	**$ 64,599**	**$ 57,731**	**$ 56,580**	**$ 71,256**	**$ 57,167**	**$ 53,817**

Notes:

(1) Represents discrete, project-based implementation costs associated with new information technology systems and discrete SaaS arrangements for transformational initiatives supporting e-commerce and omni-channel capabilities, merchandise planning, customer relationship management and other key processes. Also, represents expenses associated with supply chain (Fiscal 2024 and Fiscal 2023) and merchandise transformation initiatives (Fiscal 2024), such as duplicative warehousing and distribution costs, implementation costs associated with new information technology systems, and other transition costs incurred during the transition to a new distribution centre. Additionally, in Q4 2023, transformation costs include $0.8 million of severance related expenses associated with restructuring activities in certain business support functions; in Q2 2024, $0.2 million of expenses associated with other transformation initiatives; in Q3 2024, $1.1 million of expenses predominantly related to a reorganization in the senior leadership team; and in Q4 2024, $0.9 million of expenses predominantly related to a reorganization in the senior leadership team.

(2) Represents professional fees primarily incurred with respect to: (i) the CRA's examination of the Company's Canadian tax filings discussed in the "Income Taxes" section; and (ii) professional fees incurred with respect to the secondary offering of 4,690,000 of the Company's common shares at an offering price of $32.05 per common share that was completed by its principal shareholders on a bought deal basis on June 1, 2023 (the "2023 Secondary Offering"), and the 2024 Secondary Offering.

(3) Represents share-based compensation in respect of our amended and restated share option plan, long-term incentive plan, and deferred share unit plan.

(4) Represents non-cash impairment charge taken mostly against the right-of-use asset and certain other assets for a corporate store.

(5) Represents foreign exchange gains and losses.

(6) Represents the Company's share of gain or loss from associate, including impairment losses, and any gains or losses on the fair value of the related call option.

The following table provides a reconciliation of net income to Adjusted Net Income for the periods indicated (in thousands unless otherwise noted):

	Fiscal 2024				Fiscal 2023		
	Q4	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
	13 weeks	**13 weeks**	**13 weeks**	**13 weeks**	**13 weeks**	**13 weeks**	**13 weeks**
Reconciliation of net income to Adjusted Net Income:							
Net income	$ 28,905	$ 23,158	$ 17,839	$ 17,518	$ 28,765	$ 17,976	$ 24,078
Adjustments to net income:							
Transformation costs(1)	2,496	6,358	7,982	6,288	10,422	7,998	1,377
Other professional fees(2)	221	239	302	456	225	167	349
Share-based compensation(3)	176	2,149	1,809	3,069	2,866	1,025	963
Asset impairments(4)	744	—	—	—	—	—	—
Gain on modification of debt(5)	(1,019)	—	—	—	—	—	—
Loss (gain) on foreign exchange(6)	1,265	(100)	274	397	(256)	246	(113)
Investment in associate(7)	—	—	—	—	—	3,160	133
Tax effect of adjustments to net income	(605)	(1,875)	(2,325)	(2,394)	(2,926)	(2,350)	(519)
Adjusted Net Income	**$ 32,183**	**$ 29,929**	**$ 25,881**	**$ 25,334**	**$ 39,096**	**$ 28,222**	**$ 26,268**

Notes:

(1) Represents discrete, project-based implementation costs associated with new information technology systems and discrete SaaS arrangements for transformational initiatives supporting e-commerce and omni-channel capabilities, merchandise planning, customer relationship management and other key processes. Also, represents expenses associated with supply chain (Fiscal 2024 and Fiscal 2023) and merchandise transformation initiatives (Fiscal 2024), such as duplicative warehousing and distribution costs, implementation costs associated with new information technology systems, and other transition costs incurred during the transition to a new distribution centre. From Q3 2023 onward, this also includes duplicative depreciation expense on property and equipment and right-of-use assets, and interest expense on lease liabilities. Additionally, in Q4 2023, transformation costs include $0.8 million of severance related expenses associated with restructuring activities in certain business support functions; in Q2 2024, $0.2 million of expenses associated with other transformation initiatives; in Q3 2024, $1.1 million of expenses predominantly related to a reorganization in the senior leadership team; and in Q4 2024, $0.9 million of expenses predominantly related to a reorganization in the senior leadership team.

(2) Represents professional fees primarily incurred with respect to: (i) the CRA's examination of the Company's Canadian tax filings discussed in the "Income Taxes" section; and (ii) professional fees incurred with respect to the 2023 Secondary Offering and the 2024 Secondary Offering.

(3) Represents share-based compensation in respect of our amended and restated share option plan, long-term incentive plan, and deferred share unit plan.

(4) Represents non-cash impairment charge taken mostly against the right-of-use asset and certain other assets for a corporate store.

(5) Represents a gain on debt modification recognized in interest expenses, net in connection with the third amendment of the credit agreement completed on October 31, 2024.

(6) Represents foreign exchange gains and losses.

(7) Represents the Company's share of gain or loss from associate, including impairment losses, and any gains or losses on the fair value of the related call option.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity and capital resources are cash generated from operating activities and borrowings under our credit facility. Our principal uses of funds are operating expenses, working capital, capital expenditures, and debt service requirements.

As at the end of Q1 2025, available liquidity was approximately $211.9 million, as compared to $210.1 million as at the end of Fiscal 2024, and was comprised of:

- Cash and cash equivalents of $36.9 million, as compared to $35.1 million as at the end of Fiscal 2024; and

- Available borrowings of $175.0 million under the revolving facility, as compared to $175.0 million as at the end of Fiscal 2024.

We believe that our cash and cash equivalents combined with the expected cash flow from operations and liquidity to be available under the credit facilities will be sufficient to finance our continued operations for at least the next 12 months, including our operating expenses, capital expenditures, debt service and return to shareholders. In addition, we believe that our capital structure provides us with significant financial flexibility to pursue our future growth strategies and provide returns to shareholders, including through repurchases of common shares and increases, where appropriate, in our targeted dividend policy. However, our ability to fund operating expenses, capital expenditures, future debt service requirements, future growth strategies and return to shareholders will depend on, among other things, our future operating performance, which will be affected by general economic, financial and other factors, including factors beyond our control. See “Risk Factors” and “Summary of Factors Affecting Performance” in this MD&A.

Credit Facilities

Credit Agreement

As at the end of Q1 2025, the aggregate amount outstanding under the Company's term facility and revolving facility (together, the "Credit Facilities") was $282.6 million and $nil, respectively. Borrowings under the Credit Facilities will bear interest, according to the type of borrowing advanced, at short-term floating rates based on a reference rate (CORRA, the U.S. base rate, the Canadian prime rate, or SOFR as applicable), plus a margin per annum depending on the Company’s net total leverage ratio. As at the end of Q1 2025, the interest rate in effect on the Credit Facilities was 5.40% (Q1 2024 — 7.40%).

The obligations under the Credit Facilities are unconditionally guaranteed by the Company and are secured by a charge over substantially all of the property and assets of the Company.

The Company's credit agreement contains affirmative and negative covenants customary for credit facilities of this nature, subject to certain exceptions. The credit agreement also contains certain financial covenants to be complied with over the term of the Credit Facilities. As at Q1 2025, the Company was in full compliance with all of its covenants, and there was no indication that it will have difficulty complying with these covenants in the future.

Deferred financing costs

In connection with the Company's credit agreement and subsequent amendments, total deferred financing costs of $7.6 million were incurred. The total unamortized deferred financing costs were $3.4

million as at the end of Q1 2025 and are being amortized using the effective interest method. These amounts were included as interest expenses.

Cash Flows

The following table presents cash flows for the periods indicated:

	Quarters Ended	
	March 29, 2025	March 30, 2024
	13 weeks	13 weeks
Net cash provided by operating activities	$ 36,613	$ 44,884
Net cash used in financing activities	(36,537)	(31,660)
Net cash provided by (used in) investing activities	1,853	(197)
Effect of exchange rate changes on cash	(183)	(321)
Net increase in cash	**$ 1,746**	**$ 12,706**

Analysis of Cash Flow for Q1 2025

Net cash provided by operating activities:

For Q1 2025, net cash provided by operating activities totalled $36.6 million, a decrease of $8.3 million, compared to net cash provided by operating activities of $44.9 million in Q1 2024. The decrease is due to a $10.7 million net change in operating working capital explained by: (i) higher net change in prepaids due to the timing of lease payments; (ii) lower accounts payable and accrued liabilities due to timing of payments and lower non-trade related payables; and (iii) higher net change in inventory due to the timing of purchases; partially offset by (iv) lower receivables related to timing of franchisee billings, and construction and renovation of franchise stores. The remaining decrease was due to higher income tax payments of $2.7 million partially offset by higher net income of $5.1 million (adjusted for items not involving cash).

Net cash used in financing activities:

For Q1 2025, net cash used in financing activities totalled $36.5 million, compared to net cash used in financing activities of $31.7 million in Q1 2024. The increase is primarily driven by: (i) consideration paid to repurchase common shares for cancellation; and (ii) higher principal and interest payments on lease liabilities due to the store network expansion; partially offset by (iii) no quarterly principal repayment on the term facility in the current period as a result of the amended credit agreement; (iv) proceeds from the exercise of share options; and (v) lower interest payments on the long-term debt due to lower interest rates and lower debt outstanding compared to Q1 2024.

Net cash provided by (used in) investing activities:

For Q1 2025, net cash provided by investing activities totalled $1.9 million, compared to net cash used in investing activities of $0.2 million in Q1 2024. The increase is explained by: (i) higher principal payments collected on lease receivables, and (ii) lower Net Capital Expenditures[(1)] of $1.0 million due to lower expenditures on store network expansion and lower construction in progress for the new distribution centres partially offset by lower proceeds on disposal of property and equipment from the sale of corporate-owned stores to franchisees.

(1) Net Capital Expenditures were $10.2 million in Q1 2025 and $11.2 million in Q1 2024. Net Capital Expenditures is a non-IFRS measure. Non-IFRS measures are not determined in accordance with IFRS, do not have standardized meanings and may not

be comparable to similar financial measures presented by other companies. See "How We Assess the Performance of Our Business" for the definition of Net Capital Expenditures.

Free Cash Flows

The following table presents free cash flows for the periods indicated (in thousands unless otherwise noted).

	Quarters Ended	
	March 29, 2025	March 30, 2024
	13 weeks	13 weeks
Cash provided by operating activities	$ 36,613	$ 44,884
Cash provided by (used in) investing activities	1,853	(197)
Repayment of principal on lease liabilities	(17,157)	(15,623)
Interest paid on lease liabilities	(5,901)	(5,772)
Notes receivable	(107)	(157)
Free Cash Flow	**$ 15,301**	**$ 23,135**

Analysis of Free Cash Flow for Q1 2025

Free cash flows amounted to $15.3 million in Q1 2025 compared to $23.1 million in Q1 2024, a decrease of $7.8 million primarily driven by a decrease in cash from operating activities and an increase in payments of principal and interest on lease liabilities due to the store network expansion; partially offset by an increase in cash provided by investing activities.

Contractual Obligations, Guarantees, and Contingencies

The following table summarizes our significant undiscounted maturities of our contractual obligations and commitments as at the end of Q1 2025.

	Fiscal 2025	Fiscal 2026	Fiscal 2027	Fiscal 2028	Fiscal 2029	Thereafter	Total
Accounts payable and accrued liabilities	$ 105,623	$ —	$ —	$ —	$ —	$ —	$ 105,623
Lease liabilities	72,625	90,658	81,589	67,364	67,448	222,537	602,221
Long-term debt	—	—	—	—	282,625	—	282,625
Purchase obligations[1]	2,024	—	—	—	—	—	2,024
Total contractual obligations	**$ 180,272**	**$ 90,658**	**$ 81,589**	**$ 67,364**	**$ 350,073**	**$ 222,537**	**$ 992,493**

Notes:
(1) Represents purchase obligations to procure certain equipment for the new MVR and Calgary distribution centres.

Bank comfort letters

The Company has provided comfort letters to certain financial institutions at their request when these financial institutions provide financing to new franchisees. In the comfort letters, the Company has agreed that for three years from the date of the letter, if the bank is forced to realize on its security, including inventory held by the franchisee, the Company will repurchase the inventory previously sold to the franchisee at a stated discount of 15%, provided that such inventory can be sold by the bank to the Company free and clear of any and all liens, charges and encumbrances or rights of others.

Standard practice is for the Company to realize its rights under the franchise agreement prior to the franchisee reaching default under their finance arrangement; therefore, the risk associated with being required to repurchase inventory under these comfort letters is considered remote. Accordingly, no amount has been provided for in the accompanying consolidated financial statements.

Litigation

The Company may, from time to time, be named as a defendant in legal proceedings that arise from its normal course of business. Although the amount of any liability that could arise with respect to any pending claims cannot be estimated, the Company believes that any such liability is not reasonably likely to have a material adverse effect on its financial position, operating results, or liquidity.

Income Taxes

The Company is subject to routine audits of its tax filing positions by the Canada Revenue Agency ("CRA"). In September 2023, the CRA reassessed the Company an additional approximately $6.0 million of income tax plus interest in respect of the Company's 2018 taxation year on the basis that certain interest expenses incurred in that year were not deductible ("2018 reassessment"). In April 2024, the Company received proposal letters from the CRA proposing to deny the deduction of certain interest expenses incurred by the Company in the 2019 and 2020 taxation years on a basis consistent with the 2018 reassessment. In June 2024, the CRA reassessed the Company an additional approximately $6.4 million of income tax plus interest in respect of the Company's 2019 taxation year ("2019 reassessment"). In January 2025, the Company received a further proposal from the CRA to reassess the Company to deny the deduction of certain intercompany dividends in the 2016, 2017 and 2018 taxation years. The January 2025 proposal also indicated that the CRA will not be proceeding with the April 2024 proposal to deny interest deductions for the 2020 taxation year. In March 2025, the CRA reassessed the Company approximately $18.4 million of income tax plus interest on the basis set out in the January 2025 proposal. The Company has filed objections to, and intends to vigorously contest, the 2018 reassessment and the 2019 reassessment, and intends similarly to contest the reassessment received in March 2025. The Company and its tax advisors believe that the Company's tax filing positions are appropriate. Accordingly, no amount or provision has been recorded in the interim financial statements in respect of the 2018 reassessment, the 2019 reassessment or the reassessment received in March 2025.

Share Information

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. The holders of common shares are entitled to receive dividends as declared from time to time by the Board of Directors. Shareholders are entitled to one vote per common share at shareholder meetings of the Company.

Preferred shares of each series, if and when issued, will, with respect to the payment of dividends, be entitled to preference over common shares. Except as provided in any special rights or restrictions attaching to any series of preferred shares issued from time to time, the holders of preferred shares will not be entitled to vote at any shareholder meetings of the Company.

During Q1 2025, the Company repurchased 488,452 common shares for cancellation under the 2024 NCIB for total cash consideration of $12.5 million. Subsequent to Q1 2025 and up to May 5, 2025, under the 2024 NCIB, the Company repurchased and cancelled 218,544 common shares.

As at May 5, 2025, there were 70,283,846 common shares and 2,903,245 share options, each exercisable for one common share, issued and outstanding.

For further details concerning the rights, privileges and restrictions attached to the common shares, please refer to the section entitled "Description of Share Capital" in the AIF.

Dividends

Subject to financial results, capital requirements, available cash flow, the need for funds to finance ongoing operations and other factors that the Board of Directors may consider relevant, it is the intention of the Board of Directors to declare a quarterly cash dividend. It is expected that future cash dividend payments will be made to common shareholders of record as at a date to be determined by the Board of Directors. The actual payment, amount and timing of any dividends are not guaranteed and are subject to the discretion of our Board of Directors. See “Risk Factors” in this MD&A.

During Q1 2025, the Company announced that its Board declared $8.5 million in dividends to holders of common shares (Q1 2024 — $7.9 million) or $0.12 per common share (Q1 2024 — $0.11 per common share). These dividends were paid on April 15, 2025 and recorded as dividends payable in accounts payable and accrued liabilities during Q1 2025. There were no dividends paid during Q1 2024.

Critical Accounting Estimates and Judgments

The critical accounting estimates and judgments as disclosed in the Company’s audited consolidated financial statements and accompanying notes for Fiscal 2024 have been applied consistently in the preparation of this MD&A.

Risk Factors

For a detailed description of risk factors relating to the Company, please refer to the “Risk Factors” section of the Company's AIF, which is available on SEDAR+ at www.sedarplus.ca.

The Company’s activities expose it to a variety of financial risks: credit risk, liquidity risk, foreign currency risk, and interest rate risk. The Company’s overall risk management program and business practices seek to minimize any potential adverse effects on the Company’s consolidated financial performance. Risk management is carried out by the senior management team under policies approved by the Company’s Board of Directors.

Foreign Currency Risk

The Company is exposed to currency risk related to some of its purchases. Specifically, the Company sources some of its merchandise in U.S. dollars. Inventory purchases sourced outside Canada and primarily denominated in U.S. dollars represented approximately 23% on a trailing 12-month basis as at the end of Q1 2025.

The Company is also exposed to currency risks on financial assets and liabilities denominated in foreign currencies. These assets and liabilities are of a short-term nature and management does not believe they represent a significant risk to the Company. As a result of the revaluation of these financial assets and liabilities, a five-percentage point change in the Canadian dollar against the U.S. dollar, assuming that all other variables are constant, would have changed income before income taxes for Q1 2025 by $0.5 million (Q1 2024 — $0.5 million) as a result of the revaluation on these financial assets and liabilities.

Interest Rate Risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The term facility is at variable interest rates. Changes in short-term floating rates can cause fluctuations in interest payments and cash flows.

A one percentage point change in the applicable interest rate in the credit agreement based on the debt outstanding as at Q1 2025 would have changed income before taxes for Q1 2025 by $0.7 million (Q1 2024 — $0.7 million).

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents, accounts and other receivables, and lease receivables. The risk on cash and cash equivalents is mitigated by the fact that its deposits are with various high-quality financial institutions. The Company has receivables from its suppliers and from the Company's franchise operators. The credit risk on its receivables from suppliers is managed by the ability to offset any monies owed by the supplier against amounts owed to the suppliers. The management of credit risk on the Company's franchisee accounts receivable and lease receivable is maintained by having short settlement terms on these receivables and prior to accepting a franchisee, the Company undertakes a detailed screening process that includes the requirement that a franchisee has sufficient financing.

Liquidity Risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come due. The Company mitigates liquidity risk by the management of working capital and cash flows, and by maintaining various financing sources, including bank debt and finance leases. Adequate availability is maintained on the operating loan component of the Company's credit facility to minimize this risk. The Company's trade and other payables are all due within 12 months of each reporting period.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management, including its certifying officers, namely the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding public disclosure. An evaluation of the design of the Company's disclosure controls and procedures, as defined under National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), was carried out under the supervision of the CEO and CFO and with the participation of the Company's management. Based on that evaluation, the CEO and CFO have concluded that the design of these controls were effective as at March 29, 2025.

The Company also maintains a system of internal controls over financial reporting designed under the supervision of the Company's CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. As required by NI 52-109, the CEO and the CFO have caused the effectiveness of the internal controls over financial reporting to be evaluated using the framework (2013) established by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the Company's internal controls over financial reporting, as defined by NI 52-109, was effective as at March 29, 2025.

Subsequent Events

On May 5, 2025, the Board of Directors of the Company declared a dividend of $0.12 per common share payable on June 16, 2025 to holders of common shares of record as at the close of business on May 30, 2025.

Outlook

Fiscal 2025 will be a 53-week fiscal year for Pet Valu, compared to a 52-week fiscal year in Fiscal 2024. Including the impact of the 53rd week of operation in Fiscal 2025, the Company expects:

- Revenue between $1.17 and $1.20 billion, supported by approximately 40 new store openings, same-store sales growth between 1% and 4% and higher wholesale merchandise sales penetration;
- Adjusted EBITDA between $254 and $260 million, which incorporates continued price investments and normalization of operating expenses;
- Adjusted Net Income per Diluted Share between $1.60 and $1.66, which incorporates approximately $12 million pre-tax, or $0.12 per diluted share, of incremental depreciation and lease liability interest expense associated with the new distribution centres;
- Transformation costs of approximately $13 million pre-tax, and share-based compensation of approximately $11 million pre-tax, both of which are excluded from Adjusted EBITDA and Adjusted Net Income per Diluted Share; and
- Net Capital Expenditures of approximately $35 million.

The Company is closely monitoring the evolving governmental foreign trade environment and believes it has the appropriate mechanisms in place to adapt, as necessary. The above Outlook is based on several assumptions, including, but not limited to, governmental foreign trade policies currently in place as of this release.

Additional Information

Additional information relating to the Company, including the Company's AIF, is available on SEDAR+ at www.sedarplus.ca. The Company's common shares are listed for trading on the Toronto Stock Exchange under the symbol "PET".