Q4 2021 Financial & Operating Review

For 13 weeks ended January 1, 2022

Disclaimers

Forward-Looking Information

This presentation contains “forward-looking information” and “forward-looking statements” (collectively, “forward-looking information”) within the meaning of applicable securities laws. Forward-looking information may relate to our future financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, operations, financial results, plans and objectives. Particularly, information regarding the Company’s expectations of future results, performance, achievements, prospects or opportunities or the markets in which the Company operates 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”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “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 historical facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances.

Forward-looking information is based on our opinions, estimates and assumptions in light of our management’s experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances, and are subject to risks and uncertainties. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect and there can be no assurance that actual results will be consistent with the forward-looking information. Whether actual results, performance or achievements will conform to the Company’s expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors.

When relying on forward-looking information to make decisions, we caution readers not to place undue reliance on such forward-looking information, as forward-looking information involves significant risks and uncertainties and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ, possibly materially, from the results discussed in the forward-looking information.

All of the forward-looking information contained in this presentation is expressly qualified by the foregoing cautionary statements.

Non-IFRS and Supplementary Financial Measures

This presentation makes reference to certain non-IFRS measures. These measures are not recognized measures 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, they should not be considered in isolation nor as a substitute for analysis of the Company’s financial information reported under IFRS. Pet Valu uses non-IFRS measures, including “EBITDA”, “Adjusted EBITDA”, “Adjusted Net Income”, “Adjusted Net Income per Diluted Share” and “Free Cash Flow” and non-IFRS ratios, including “Adjusted EBITDA Margin”. This presentation also makes reference to certain supplementary financial measures that are commonly used in the retail industry, including “System-wide sales” and “Same-store sales growth”. These non-IFRS measures and supplementary financial measures are used to provide investors with supplemental measures of Pet Valu’s operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures and these supplementary financial measures in the evaluation of issuers. Management uses non-IFRS 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 the MD&A for the fourth quarter ended January 1, 2022 for further information on non-IFRS and supplementary financial measures, including for their definition and, for non-IFRS measures, a reconciliation to the most comparable IFRS measure.

Today's Presenters

Richard Maltsbarger

President & Chief Executive Officer

Jim Grady

Chief Financial Officer

Our Mission

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

Our Long-Term Growth Formula

1 Expand Our Store Network

Opportunity to grow store count to 1,200+

+

2 Drive Same-Store Sales Growth

Build on proven strategies & growing digital channels

+

3 Enhance Operating Margins

Leverage investments in modernizing systems

Underpinned by the Resilient & Growing Canadian Pet Industry

Q4 2021 Highlights

+16.7%
Same-Store Sales Growth
(+34.7% 2-yr stack)

$223M
Revenue
(+18.6%[1] vs. Q4 2020)

23.9%
Adjusted EBITDA Margin
(+40 bps vs. Q4 2020)

12
New Stores Openings
(30 in 2021)

2M
Active Loyalty Members
(end of Q4 2021)

Raised Quarterly Dividend to $0.06/Share

[1] Excludes impact of 14th week in Q4 2020.
Note: Same-Store Sales Growth is a supplementary financial measure. Adjusted EBITDA Margin is a non-IFRS ratio, and Adjusted Net Income and Adjusted Net Income per Diluted Share are non-IFRS measures. Reconciliations of these non-IFRS measures and ratio are presented in the Appendix.

Acquisition of Les Franchises Chico ("Chico")

About Chico

- Quebec's largest pet specialty franchisor with 66 locations across the province
- Long heritage serving Quebec, founded in 1983
- Store size, AUV, and product mix similar to Pet Valu
- Limited wholesale distribution and private label presence
- 2021 system-wide sales of ~$79M and revenue of ~$7M

Strategic Rationale

- Experienced entry into Quebec market
- Close corporate cultural and operational similarities
- Ample runway for continued store growth of Chico banner across Quebec
- Opportunity to leverage Pet Valu's proprietary brands and broader wholesale distribution network

Looking Ahead

1 Expand Our Store Network

- ✓ Open 30-45 new stores in 2022, inclusive of 5-10 under the Chico banner in Quebec
- ✓ Now filling new store pipeline for 2023 and 2024
- ✓ Ample white space in existing and new markets
- ✓ Strong performance of 2020 & 2021 store classes support quality of site selection model

+

2 Drive Same-Store Sales Growth

- ✓ Optimizing omni-channel process and experience to drive efficiency & effectiveness
- ✓ Leveraging purchase data from growing loyalty platform
- ✓ Elevating levels of safety stock in core assortment and advanced ordering of seasonal product
- ✓ 20-30 renovations, expansions or relocations in 2022

+

3 Enhance Operating Margins

- ✓ Continuing investments to drive long-term growth and leverage
- ✓ Higher human capital investments into key talent including part-time benefits and leadership equity participation
- ✓ Scaled up temporary third-party storage and throughput capacity as we advance our GTA supply chain strategy

Q4 2021 Key Financial Metrics

	Q4 2021	vs. PY	Drivers
System-Wide Sales	**$288.5**	+18.2%[1]	• Strong SSSG and 28 net new stores in LTM
Same-Store Sales Growth	**+16.7%**	nm	• Traffic[2] +10.8% and basket[2] +5.4%
2-yr stacked Same-Store Sales Growth	*+34.7%*	*nm*	
Revenue	**$223.1**	+18.6%[1]	• Growth in-line with system-wide sales
Gross Margin	**36.8%**	(30 bps)	• Higher freight & distribution costs, partially offset by FX and fixed cost leverage
Adjusted EBITDA	**$53.3**	+11.5%	• Expense leverage through store labor productivity offsetting public company costs
Adjusted EBITDA Margin	*+23.9%*	*+40 bps*	
Net Income	**$26.7**	+93.4%	
Adjusted Net Income	**$29.3**	+69.8%	• Improved flow-through as well as lower interest expense
Adj. Net Income / Diluted Share	*$0.41*	*nm*	

[1] Excludes impact of 14th week in Q4 2020. [2] Traffic refers to same-store transaction growth, basket refers to same-store average spend/transaction.
Note: All figures in millions, except per share amounts, which uses fully diluted share count; nm = not meaningful.

Q4 2021 Key Financial Metrics

Cash

$50.1M

plus $130M available on revolver

Net Leverage Ratio[1]

2.1x

vs. 2.4x in Q3 2021

Free Cash Flow

$35.3M

+195% vs. Q4 2020

Inventory

$91.7M

elevated safety stock levels since Q4 2020

Long-term Debt

$345.5M

Net Capital Expenditures[2]

$20.3M (YTD)

in-line with expectations

[1] Net Leverage Ratio = Net Debt (incl. leases) / LTM Adj. EBITDA; [2] Net of (i) proceeds on disposal of property and equipment, and (ii) tenant allowances
Note: Free Cash Flow is a non-IFRS measure. Please see Appendix for a reconciliation of this metric.

2022 Outlook

	2022 Outlook	Growth from FY 2021
SSSG[1]	6-9%	nm
New Stores	30-45	+5-7%
Revenue	$845-870M	+9-12%
Adjusted EBITDA	$187-194M	+3-6%
Adjusted Net Income *per Diluted Share*	$1.37-1.44	+34-41%
Capital Expenditures[2]	$20-25M	+$0-5M

[1] SSSG = Same-Store Sales Growth. [2] Net of (i) proceeds on disposal of property and equipment, and (ii) tenant allowances.
Note: 2022 New Stores range and growth from 2021 of 30-45 excludes the 66 Chico stores acquired on February 25, 2022.

petvalu Paulmac's Pets bosley's Tisol Total Pet Chico

Thank You

Contact Us:

investors@petvalu.com

(289) 806-4559

Appendix

Reconciliation of Adjusted EBITDA

	Quarters Ended	
	Jan. 1, 2022 (13 weeks)	**Jan. 2, 2021 (14 weeks)**
Net income	$26,741	$13,829
Depreciation & amortization	8,637	8,646
Interest expense, net	4,403	15,671
Income taxes expense	10,009	5,530
EBITDA	**49,790**	**43,676**
Adjustments to EBITDA:		
Management fees(1)	—	48
IT transformation costs(2)	1,518	2,801
IPO readiness and separation costs(3)	—	4,253
Business transformation costs(4)	514	548
COVID-19 pandemic(5)	—	2
Other professional fees(6)	246	538
Share-based compensation(7)	1,154	711
Asset impairments(8)	—	—
Loss (gain) on foreign exchange(9)	105	(466)
Share of loss from associate	8	—
Pro forma costs(10)	—	(4,292)
Adjusted EBITDA	**$53,335**	**$47,819**
Adjusted EBITDA Margin (% of revenue)	**23.9%**	**23.5%**

Notes: All figures in thousands; These non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and 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.
Adjusted EBITDA is a supplemental measure used by management to facilitate 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.

(1) Represents management fees paid to entities affiliated with Roark Capital Management, LLC ("Roark"). Concurrent with the closing of Pet Valu Holdings Ltd.'s (the "Company") initial public offering (the "Offering"), the Company terminated the management agreement with Roark.
(2) Represents discrete, project-based implementation costs associated with new information technology systems and discrete Software-as-a-Service ("SaaS") arrangements for transformational initiatives supporting merchandise planning, inventory and order management, e-commerce and omni-channel capabilities, customer relationship management and other key processes.
(3) Represents expenses incurred related to the following: (i) consulting, legal and accounting fees for projects and process improvements incurred in the preparation of the Offering and the legal restructuring to separate the Canadian operations of Pet Valu Holdings Ltd. (prior to the distribution of its U.S. operations to its shareholder, referred to as the "Group"); (ii) retention bonuses for certain key management personnel in connection with the Offering; and (iii) professional fees incurred with respect to the Secondary Offering of the Company's common shares completed on September 28, 2021.
(4) Predominately represents severance, recruitment, and consulting expenses associated to the strategic reorganization in the senior leadership team and key functional departments as part of the Company's separation from the Group.
(5) Represents non-recurring costs incurred in Fiscal 2020 in response to the COVID-19 pandemic including personal protective equipment for Company employees, signage for the stores, short-term increased hourly pay and one-time bonuses for store associates and warehouse staff awarded in the second quarter of 2020, and professional fees associated with planning key initiatives for cash flow management and the negotiation of rent deferrals and abatements with landlords and franchisees.
(6) Professional fees incurred with respect to the Canada Revenue Agency's ("CRA") examination of the Company's Canadian tax filings for the 2016 fiscal year.
(7) Represents share-based compensation in respect of our legacy stock option compensation plan, long-term incentive plan, and deferred share unit plan.
(8) Non-cash impairment charge taken against certain right-of-use assets for corporate-owned stores.
(9) Represents foreign exchange gains and losses.
(10) Represents pro forma costs to normalize for on-going expenses previously allocated to entities forming part of the Group, specifically operations in the United States, which are no longer affiliated with the Company, for Fiscal 2020. These costs represent compensation costs associated with supply chain, merchandising, distribution and other corporate functions, as well as information technology costs. Approximately 18% of the pro forma costs relate to cost of sales and 82% to SG&A. Beginning in Q1 2021, our on-going expenses are reported directly in cost of sales and SG&A, as those costs are now directly incurred by the Company.

Reconciliation of Adjusted Net Income

	Quarters Ended	
	Jan. 1, 2022 (13 weeks)	Jan. 2, 2021 (14 weeks)
Net income	**$26,741**	**$13,829**
Adjustments to Net Income		
Management fees[(1)]	—	48
IT transformation costs[(2)]	1,518	2,801
IPO readiness and separation costs[(3)]	—	4,253
Business transformation costs[(4)]	514	548
COVID-19 pandemic[(5)]	—	2
Other professional fees[(6)]	246	538
Share-based compensation[(7)]	1,154	711
Asset impairments[(8)]	—	—
Loss (gain) on foreign exchange[(9)]	105	(466)
Share of loss from associate	8	—
Pro forma costs[(10)]	—	(4,292)
Tax effect of adj. to net income	(990)	(720)
Adjusted Net Income	**$29,296**	**$17,252**
Adjusted Net Income per Diluted Share[(11)]	**$0.41**	**$0.31**

(1) Represents management fees paid to entities affiliated with Roark. Concurrent with the closing of the Offering, the Company terminated the management agreement with Roark.
(2) Represents discrete, project-based implementation costs associated with new information technology systems and discrete SaaS arrangements for transformational initiatives supporting merchandise planning, inventory and order management, e-commerce and omni-channel capabilities, customer relationship management and other key processes.
(3) Represents expenses incurred related to the following: (i) consulting, legal and accounting fees for projects and process improvements incurred in the preparation of the Offering and the legal restructuring to separate the Company from the Group; (ii) retention bonuses for certain key management personnel in connection with the Offering; and (iii) professional fees incurred with respect to the Secondary Offering.
(4) Predominately represents severance, recruitment, and consulting expenses associated to the strategic reorganization in the senior leadership team and key functional departments as part of the Company's separation from the Group.
(5) Represents non-recurring costs incurred in Fiscal 2020 in response to the COVID-19 pandemic including personal protective equipment for Company employees, signage for the stores, short-term increased hourly pay and one-time bonuses for store associates and warehouse staff awarded in the second quarter of 2020, and professional fees associated with planning key initiatives for cash flow management and the negotiation of rent deferrals and abatements with landlords and franchisees.
(6) Professional fees incurred with respect to the CRA's examination of the Company's Canadian tax filings for the 2016 fiscal year.
(7) Represents share-based compensation in respect of our legacy stock option compensation plan, long-term incentive plan, and deferred share unit plan.
(8) Non-cash impairment charge taken against certain right-of-use assets for corporate-owned stores.
(9) Represents foreign exchange gains and losses.
(10) Represents pro forma costs to normalize for on-going expenses previously allocated to entities forming part of the Group, specifically operations in the United States, which are no longer affiliated with the Company, for Fiscal 2020. These costs represent compensation costs associated with supply chain, merchandising, distribution and other corporate functions, as well as information technology costs. Approximately 18% of the pro forma costs relate to cost of sales and 82% to SG&A. Beginning in Q1 2021, our on-going expenses are reported directly in cost of sales and SG&A, as those costs are now directly incurred by the Company.
(11) Adjusted Net Income per Diluted Share for Q4 2020 is calculated on a pro-forma basis using the weighted average common shares outstanding based on the capital reorganization and the legacy option plan immediately prior to the Offering.

Notes: All figures in thousands; These non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and 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.
Adjusted Net Income is a supplemental measure used by management to facilitate 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.

Reconciliation of Free Cash Flow

	Quarters Ended	
	Jan. 1, 2022 (13 weeks)	**Jan. 2, 2021 (14 weeks)**
Cash provided by operating activities	$53,091	$29,694
Cash (used in) provided by investing activities	(6,018)	(2,735)
Repayment of principal on lease liabilities	(11,473)	(11,903)
Interest paid on lease liabilities	(2,908)	(3,130)
Notes receivables	2,585	17
Free Cash Flow	**$35,277**	**$11,943**

Notes: All figures in thousands; These non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and 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. Free Cash Flow is a key metric as an indicator of how much cash is available for debt repayment, share repurchases, re-investment in the Company and other financing activities.