



PET VALU HOLDINGS LTD.

Condensed Interim Consolidated Financial Statements
For the 13-week periods ended March 30, 2024 and April 1, 2023
(Unaudited)

PET VALU HOLDINGS LTD.

Condensed Interim Consolidated Statements of Financial Position
(Unaudited, expressed in thousands of Canadian dollars)

	Note	As at March 30, 2024	As at December 30, 2023
Assets			
Current assets:			
Cash		\$ 41,150	\$ 28,444
Accounts and other receivables		31,010	27,875
Inventories, net		129,776	122,069
Income taxes recoverable	10	6,372	6,012
Prepaid expenses and other assets		10,701	19,403
Current portion of lease receivables	5	35,006	34,332
Total current assets		254,015	238,135
Non-current assets:			
Long-term lease receivables	5	158,892	159,101
Right-of-use assets, net	5	242,147	237,941
Property and equipment, net	6	127,928	120,493
Intangible assets, net	7	52,007	52,205
Goodwill		97,562	97,562
Deferred tax assets	10	7,230	7,230
Other assets		4,139	4,240
Total non-current assets		689,905	678,772
Total assets		\$ 943,920	\$ 916,907
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 103,493	\$ 88,416
Provisions		669	669
Current portion of deferred franchise fees		1,359	1,344
Current portion of lease liabilities	5	65,699	64,068
Current portion of long-term debt	8	17,750	17,750
Total current liabilities		188,970	172,247
Non-current liabilities:			
Long-term deferred franchise fees		4,131	4,166
Long-term lease liabilities	5	384,958	379,833
Long-term debt	8	271,320	275,474
Deferred tax liabilities	10	8,864	8,864
Other liabilities		2,016	3,977
Provisions		2,647	2,626
Total non-current liabilities		673,936	674,940
Total liabilities		862,906	847,187
Shareholders' equity:			
Common shares	11	321,752	321,752
Contributed surplus		8,514	6,877
Deficit		(249,111)	(258,768)
Currency translation reserve		(141)	(141)
Total shareholders' equity		81,014	69,720
Total liabilities and shareholders' equity		\$ 943,920	\$ 916,907

Commitments, contingencies and guarantees (Note 15)

Subsequent events (Note 17)

On behalf of the Board of Directors: *Anthony Truesdale (signed)*, Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

PET VALU HOLDINGS LTD.

Condensed Interim Consolidated Statements of Income and Comprehensive Income
(Unaudited, expressed in thousands of Canadian dollars, except per share amounts)

		13-week periods ended	
	Note	March 30, 2024	April 1, 2023
Revenue:			
Retail sales	4	\$ 100,309	\$ 102,019
Franchise and other revenues	4	160,477	148,273
Total revenue		260,786	250,292
Cost of sales		173,435	163,078
Gross profit		87,351	87,214
Selling, general and administrative expenses		54,052	52,347
Total operating income		33,299	34,867
Interest expenses, net	9	8,555	6,907
Loss on foreign exchange		397	311
Other loss		—	1,425
Income before income taxes		24,347	26,224
Income tax expense	10	6,829	7,495
Net income		17,518	18,729
Other comprehensive income, net of tax:			
Currency translation adjustments that may be reclassified to net income, net of tax		—	14
Comprehensive income for the period attributable to the shareholders of the Company		\$ 17,518	\$ 18,743
Basic net income per share attributable to the common shareholders	12	\$ 0.25	\$ 0.26
Diluted net income per share attributable to the common shareholders	12	\$ 0.24	\$ 0.26

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

PET VALU HOLDINGS LTD.

Condensed Interim Consolidated Statements of Shareholders' Equity
(Unaudited, expressed in thousands of Canadian dollars)

		Common shares	Contributed surplus	Deficit	Currency translation reserve	Total
For the period ended March 30, 2024						
Balance, December 30, 2023	\$	321,752	\$ 6,877	\$ (258,768)	\$ (141)	\$ 69,720
Net income		—	—	17,518	—	17,518
Share-based compensation on option plans (Note 13)		—	1,637	—	—	1,637
Dividends on common shares (Note 11)		—	—	(7,861)	—	(7,861)
Balance, March 30, 2024	\$	321,752	\$ 8,514	\$ (249,111)	\$ (141)	\$ 81,014

		Common shares	Contributed surplus	Deficit	Currency translation reserve	Total
For the period ended April 1, 2023						
Balance, December 31, 2022	\$	316,208	\$ 4,107	\$ (319,780)	\$ (159)	\$ 376
Net income		—	—	18,729	—	18,729
Exercise of share options (Notes 11, 13)		810	(202)	—	—	608
Share-based compensation on option plans (Note 13)		—	519	—	—	519
Foreign currency translation		—	—	—	14	14
Dividends on common shares (Note 11)		—	—	(7,103)	—	(7,103)
Balance, April 1, 2023	\$	317,018	\$ 4,424	\$ (308,154)	\$ (145)	\$ 13,143

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

PET VALU HOLDINGS LTD.

Condensed Interim Consolidated Statements of Cash Flows
(Unaudited, expressed in thousands of Canadian dollars)

		13-week periods ended	
	Note	March 30, 2024	April 1, 2023
Cash provided by (used in):			
Operating activities:			
Net income for the period		\$ 17,518	\$ 18,729
Adjustments for items not affecting cash:			
Depreciation and amortization	5, 6, 7	16,119	10,628
Deferred franchise fees		(154)	83
Gain on disposal of property and equipment		(327)	(137)
(Gain) loss on sale of right-of-use assets	5	(2)	355
Loss on foreign exchange		397	311
Loss on financial instruments		—	1,302
Share-based compensation expense	13	3,069	1,001
Share of loss from associate		—	123
Interest expenses, net	9	8,555	6,907
Income tax expense	10	6,829	7,495
Income taxes paid		(7,090)	(24,410)
Changes in non-cash operating working capital:			
Accounts receivable		(3,056)	648
Inventories		(7,707)	(21,704)
Prepaid expenses		8,702	2,921
Accounts payable and accrued liabilities		2,031	955
Net cash provided by operating activities		44,884	5,207
Financing activities:			
Proceeds from exercise of share options	11	—	608
Repayment of 2021 Term Facility	8	(4,437)	(32,438)
Interest paid on long-term debt		(5,828)	(1,773)
Repayment of principal on lease liabilities	5	(15,623)	(17,879)
Interest paid on lease liabilities	5, 9	(5,772)	(3,204)
Standby letter of credit commitment fees	9	—	(316)
Net cash used in financing activities		(31,660)	(55,002)
Investing activities:			
Purchases of property and equipment	6	(12,310)	(10,718)
Purchase of intangible assets	7	(728)	(543)
Proceeds on disposal of property and equipment		1,026	283
Right-of-use asset initial direct costs		(590)	(468)
Tenant allowances		850	427
Notes receivable		157	66
Lease receivables	5	8,391	7,213
Interest received on lease receivables and other		3,007	2,975
Net cash used in investing activities		(197)	(765)
Effect of exchange rate on cash		(321)	(224)
Net increase (decrease) in cash		12,706	(50,784)
Cash, beginning of period		28,444	63,034
Cash, end of period		\$ 41,150	\$ 12,250

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

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Notes to Condensed Interim Consolidated Financial Statements
(Unaudited, expressed in thousands of Canadian dollars, unless otherwise stated)

For the 13-week periods ended March 30, 2024 and April 1, 2023

1. Description of business:

Pet Valu Holdings Ltd. and its subsidiaries (collectively referred to as the "Company") is a specialty retailer and wholesaler of pet food and pet-related supplies. As at March 30, 2024, the Company operates 228 corporate-owned stores (December 30, 2023 — 222) and has 566 franchise stores (December 30, 2023 — 561) in 10 provinces in Canada.

The Company is incorporated under the *Business Corporations Act* (British Columbia). The Company's head office is located at 130 Royal Crest Court, Markham, Ontario, Canada.

The Company's common shares are listed on the Toronto Stock Exchange under the symbol "PET".

2. Basis of presentation:

(a) Statement of compliance:

These condensed interim consolidated financial statements ("interim financial statements") have been prepared under International Financial Reporting Standards ("IFRS") in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). The interim financial statements are prepared on a basis consistent with those accounting policies followed by the Company in the most recent audited annual consolidated financial statements. Certain notes normally included in the audited annual consolidated financial statements have been omitted or condensed. Accordingly, these interim financial statements do not include all the information required for full annual financial statements, and should be read in conjunction with the audited consolidated financial statements and the notes thereto for the 52-week period ended December 30, 2023.

These interim financial statements were approved and authorized for issuance by the Board of Directors of the Company on May 6, 2024.

(b) Use of estimates and judgments:

In preparing these interim financial statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those applied in Note 2 of the audited annual consolidated financial statements for the 52-week period ended December 30, 2023. Actual results could differ from those estimates and assumptions.

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Notes to Condensed Interim Consolidated Financial Statements
(Unaudited, expressed in thousands of Canadian dollars, unless otherwise stated)

For the 13-week periods ended March 30, 2024 and April 1, 2023

3. Material accounting policies:

These interim financial statements have been prepared using the accounting policies as outlined in Note 3 of the audited annual consolidated financial statements for the 52-week period ended December 30, 2023 and have been applied consistently in the preparation of these interim financial statements.

(a) New standards and interpretations adopted in the period:

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current*, which amends IAS 1, *Presentation of Financial Statements* ("IAS 1"). The narrow-scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of their recognition. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. They also introduce a definition of "settlement" to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. In October 2022, the IASB issued further amendments to IAS 1 that aim to improve the information companies provide about long-term debt with covenants. The amendments to IAS 1 specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements. The Company has adopted these amendments in its interim financial statements for the 52-week period beginning on December 31, 2023. There was no impact on the interim financial statements.

In September 2022, the IASB issued *Lease Liability in a Sale and Leaseback*, which amends IFRS 16, *Leases*. The narrow scope amendments add to requirements explaining how to account for a sale and leaseback after the date of the transaction. These amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction. The Company has adopted these amendments in its interim financial statements for the 52-week period beginning on December 31, 2023. There was no impact on the interim financial statements.

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Notes to Condensed Interim Consolidated Financial Statements
(Unaudited, expressed in thousands of Canadian dollars, unless otherwise stated)

For the 13-week periods ended March 30, 2024 and April 1, 2023

3. Material accounting policies (continued):

(b) New standards and interpretations not yet adopted:

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure of Financial Statements* which replaces IAS 1. IFRS 18 introduces new requirements on presentation within the statement of income or loss, including specified totals and subtotals, disclosure of management-defined performance measures, and aggregation and disaggregation of financial information based on identified roles of the primary financial statements and the notes. In addition, narrow scope amendments have been made to IAS 7, *Statement of Cash Flows* which include changing the starting point for determining cash flows from operations under the indirect method and the removal of the optionality around the classification of cash flows from dividends and interest. Some requirements previously included in IAS 1 have been moved to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, which has also been renamed to IAS 8, *Basis of Preparation of Financial Statements*. IAS 34, *Interim Financial Reporting* was also amended to require the disclosure of management-defined performance measures. Minor consequential amendments to other standards were also made. The amendments are effective for reporting periods beginning on or after January 1, 2027. Earlier application is permitted. The Company is currently assessing the potential impact of IFRS 18 and the narrow scope amendments.

4. Revenue:

The following table disaggregates the Company's retail sales and franchise revenue by category for the periods ended March 30, 2024 and April 1, 2023:

	13-week periods ended	
	March 30, 2024	April 1, 2023
Retail sales:		
Merchandise sales	\$ 98,900	\$ 100,921
In-store services	1,409	1,098
Total retail sales	100,309	102,019
Franchise and other revenues:		
Wholesale merchandise sales	125,886	117,056
Royalties and sub-lease revenues	25,667	23,294
Promotion and other service fees	8,924	7,923
Total franchise and other revenues	160,477	148,273
Total revenue	\$ 260,786	\$ 250,292

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Notes to Condensed Interim Consolidated Financial Statements
(Unaudited, expressed in thousands of Canadian dollars, unless otherwise stated)

For the 13-week periods ended March 30, 2024 and April 1, 2023

5. Leases:

(a) Right-of-use ("ROU") assets:

The following table reconciles the changes in ROU assets for the period ended March 30, 2024:

	Leased premises		Other	Total
Balance, December 30, 2023	\$	233,848	\$ 4,093	\$ 237,941
Net additions		12,858	394	13,252
Depreciation		(8,715)	(331)	(9,046)
Balance, March 30, 2024	\$	237,991	\$ 4,156	\$ 242,147

Depreciation on ROU assets is included in cost of sales and selling, general and administrative expenses in the condensed interim consolidated statements of income and comprehensive income. The depreciation included in cost of sales for the 13-week period ended March 30, 2024 was \$8,913 (13-week period ended April 1, 2023 — \$4,922). The depreciation included in selling, general and administrative expenses for the 13-week period ended March 30, 2024 was \$133 (13-week period ended April 1, 2023 — \$178). Gain on sale of ROU assets of \$2 and loss of \$355 were recognized on the sale of corporate-owned stores to franchisees for the 13-week periods ended March 30, 2024 and April 1, 2023, respectively.

(b) Lease liabilities:

The following table reconciles the changes in lease liabilities for the period ended March 30, 2024:

	Leased premises		Other	Total
Balance, December 30, 2023	\$	439,593	\$ 4,308	\$ 443,901
Additions		21,984	395	22,379
Interest expense on lease liabilities		5,708	64	5,772
Repayment of interest and principal		(21,002)	(393)	(21,395)
Balance, March 30, 2024	\$	446,283	\$ 4,374	\$ 450,657
Current portion of lease liabilities	\$	64,418	\$ 1,281	\$ 65,699
Long-term lease liabilities		381,865	3,093	384,958
Total lease liabilities	\$	446,283	\$ 4,374	\$ 450,657

The Company makes variable lease payments for common area maintenance, property tax, security, and utilities on leased premises. The Company also has certain retail store leases where portions of the lease payments are contingent on a percentage of sales earned in the retail store. Expenses for variable lease components are included in cost of sales and selling, general and administrative expenses in the condensed interim consolidated statements of income and comprehensive income. Expenses for variable lease components included in cost of sales for the 13-week period ended March 30, 2024 were \$9,164 (13-week period ended April 1, 2023 — \$7,407). Expenses for variable lease components included in selling, general and administrative expenses for the 13-week period ended March 30, 2024 were \$83 (13-week period ended April 1, 2023 — \$51).

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Notes to Condensed Interim Consolidated Financial Statements
(Unaudited, expressed in thousands of Canadian dollars, unless otherwise stated)

For the 13-week periods ended March 30, 2024 and April 1, 2023

5. Leases (continued):

(c) Lease receivables:

The Company is considered an intermediate lessor related to head leases the Company has for franchise store locations. As at March 30, 2024 and December 30, 2023, the Company had lease receivables as follows:

		March 30, 2024		December 30, 2023
Current portion of lease receivables	\$	35,006	\$	34,332
Long-term lease receivables		158,892		159,101
Total lease receivables	\$	193,898	\$	193,433

Finance income on lease receivables for the 13-week period ended March 30, 2024 was \$2,415 (13-week period ended April 1, 2023 — \$2,067). Franchisees make variable lease payments primarily for common area maintenance, property tax, and a percentage of sales earned in their retail store. Revenue from variable lease components included in franchise and other revenues in the condensed interim consolidated statements of income and comprehensive income for the 13-week period ended March 30, 2024 was \$12,177 (13-week period ended April 1, 2023 — \$10,743).

6. Property and equipment:

During the 13-week period ended March 30, 2024, the Company had property and equipment additions of \$14,269 (13-week period ended April 1, 2023 — \$8,160). During the 13-week period ended March 30, 2024, the Company had net disposals of \$687, the majority of which were related to leasehold improvements and furniture and fixtures for its corporate-owned stores (13-week period ended April 1, 2023 — \$134). Depreciation on property and equipment for the 13-week period ended March 30, 2024 was \$6,147 (13-week period ended April 1, 2023 — \$4,807).

7. Intangible assets:

During the 13-week period ended March 30, 2024, the Company had intangible asset additions of \$728, the majority of which were related to software (13-week period ended April 1, 2023 — \$543). Amortization on intangible assets for the 13-week period ended March 30, 2024 was \$926 (13-week period ended April 1, 2023 — \$721).

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(Unaudited, expressed in thousands of Canadian dollars, unless otherwise stated)

For the 13-week periods ended March 30, 2024 and April 1, 2023

8. Long-term debt:

Total long-term debt, net of deferred financing costs, as at March 30, 2024 and December 30, 2023 consists of the following:

		March 30, 2024	December 30, 2023
2021 Term Facility (a)	\$	291,500	\$ 295,937
Deferred financing costs		(2,430)	(2,713)
		289,070	293,224
Less current portion of long-term debt		(17,750)	(17,750)
Total long-term debt	\$	271,320	\$ 275,474

(a) 2021 Credit Agreement:

The 2021 Credit Agreement contains affirmative and negative covenants customary for credit facilities of this nature, subject to certain exceptions set forth in the 2021 Credit Agreement. The 2021 Credit Agreement also contains certain financial covenants over the term of the 2021 Credit Facilities, which include a net leverage ratio and an interest coverage ratio. As at March 30, 2024 and April 1, 2023, the Company was in compliance with all of its covenants.

The Company had unused borrowing capacity available under the 2021 Revolving Facility of \$130,000 as at March 30, 2024.

9. Interest expenses:

Interest expenses, net consist of the following:

		13-week periods ended	
		March 30, 2024	April 1, 2023
2021 Credit Agreement	\$	5,617	\$ 5,989
Amortization of deferred financing costs		283	295
Interest on lease liabilities		5,772	3,204
Interest income on lease receivables		(2,415)	(2,067)
Standby letter of credit commitment fees		—	321
Other interest income, net		(702)	(835)
Interest expenses, net	\$	8,555	\$ 6,907

PET VALU HOLDINGS LTD.

Notes to Condensed Interim Consolidated Financial Statements
(Unaudited, expressed in thousands of Canadian dollars, unless otherwise stated)

For the 13-week periods ended March 30, 2024 and April 1, 2023

10. Income taxes:

The income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year. To the extent that forecasts differ from actual results, adjustments are recognized in subsequent periods. Income tax expense for the 13-week period ended March 30, 2024 was \$6,829 (13-week period ended April 1, 2023 — \$7,495). The Company's effective income tax rates for the 13-week period ended March 30, 2024 was 28.0% (13-week period ended April 1, 2023 — 28.6%). The statutory income tax rate for the 13-week period ended March 30, 2024 was 26.5% (13-week period ended April 1, 2023 — 26.5%).

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 \$6,000 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. No reassessment for either of those taxation years has been received from the CRA, but should the Company be so reassessed, it could have a potential additional exposure of up to \$24,700 of income tax plus interest. It is possible that the CRA will also reassess certain subsequent taxation years on a similar basis. The Company has filed an objection to, and intends to vigorously contest, the 2018 reassessment, and the Company intends to similarly contest, any such reassessment of its 2019 and 2020 taxation years, or any other subsequent years that are assessed on a similar basis. 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 or the 2019 and 2020 proposal letters.

The CRA is also currently examining the Company's tax filing positions for the 2016 year and subsequent taxation years with respect to certain cross-border matters. To date, the CRA has not proposed any reassessment of the Company's tax liability as a consequence of such audit. The Company and its tax advisors continue to believe that the Company's tax filing positions are appropriate, and accordingly no amounts have been recorded in the interim financial statements in respect of any potential reassessment which may result from such audit. If the CRA were to reassess the Company, the Company would vigorously oppose any such reassessment. The Company has tax insurance against the risk of the Company ultimately being unsuccessful in opposing certain potential reassessments that may arise in connection with its acquisition of its former interest in Pet Supermarket, Inc., although there can be no assurance that such insurance will cover any tax which may ultimately be imposed.

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Notes to Condensed Interim Consolidated Financial Statements
(Unaudited, expressed in thousands of Canadian dollars, unless otherwise stated)

For the 13-week periods ended March 30, 2024 and April 1, 2023

11. Share capital:

(a) Authorized share capital:

As at March 30, 2024, there were 71,463,986 common shares and no preferred shares issued and outstanding. During the 13-week period ended March 30, 2024, there were no changes to the Company's share capital.

(b) Dividends:

The Company's dividend policy is at the discretion of the Board of Directors. For the 13-week period ended March 30, 2024, the Company announced that its Board declared \$7,861 in dividends to holders of common shares (April 1, 2023 — \$7,103) or \$0.11 per common share (April 1, 2023 — \$0.10 per common share). These dividends were paid on April 15, 2024 and recorded as dividends payable in accounts payable and accrued liabilities as at March 30, 2024. There were no dividends paid during the 13-week period ended April 1, 2023.

(c) Normal course issuer bid:

On November 28, 2023, the Company announced that the Toronto Stock Exchange ("TSX") had accepted its notice of intention to launch a normal course issuer bid ("NCIB"). Pursuant to the NCIB, the Company may purchase for cancellation up to an aggregate of 1,786,599 common shares, representing approximately 2.5% of the Company's issued and outstanding common shares as at November 16, 2023, over the 12-month period commencing November 30, 2023 and ending November 29, 2024. There were no share purchases under the the NCIB during the 13-week period ended March 30, 2024.

Effective November 24, 2023, the Company established an automatic share purchase plan ("ASPP") in connection with the 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. The Company records a liability for the share purchase commitment during blackout periods based on the parameters of the ASPP. There was no obligation outstanding under the ASPP as at March 30, 2024.

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(Unaudited, expressed in thousands of Canadian dollars, unless otherwise stated)

For the 13-week periods ended March 30, 2024 and April 1, 2023

12. Net income per share:

(a) Basic net income per share:

Basic net income per share is calculated by dividing the net income for the period attributable to shareholders of the Company by the weighted average number of common shares outstanding during the period.

		March 30, 2024		April 1, 2023
Net income attributable to shareholders of the Company	\$	17,518	\$	18,729
Weighted average number of common shares outstanding during the period (<i>thousands</i>)		71,464		70,985
Basic net income per share attributable to the common shareholders	\$	0.25	\$	0.26

(b) Diluted net income per share:

Diluted net income per share is calculated by dividing the net income attributable to shareholders, adjusted for the effects of dilutive options and share units, if applicable, for the period attributable to the shareholders of the Company by the weighted average number of common shares outstanding during the period, plus the weighted average number of common shares that would be issued on exercise of dilutive options and share units granted, as calculated under the treasury stock method.

		March 30, 2024		April 1, 2023
Net income attributable to shareholders of the Company	\$	17,518	\$	18,729
Weighted average number of common shares outstanding during the period (<i>thousands</i>)		72,514		72,246
Diluted net income per share attributable to the common shareholders	\$	0.24	\$	0.26

The following table provides a reconciliation from the basic weighted average number of common shares outstanding to the diluted weighted average number of common shares outstanding (number of shares in thousands):

	March 30, 2024	April 1, 2023
Basic weighted average number of common shares	71,464	70,985
Dilutive effect of share options in the Amended and Restated Share Option Plan	807	1,106
Dilutive effect of share options in the LTIP	243	155
Diluted weighted average number of common shares	72,514	72,246

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(Unaudited, expressed in thousands of Canadian dollars, unless otherwise stated)

For the 13-week periods ended March 30, 2024 and April 1, 2023

12. Net income per share (continued):

For the 13-week period ended March 30, 2024, 81,664 performance-based share options granted pursuant to the Amended and Restated Share Option Plan were not included in the calculation of diluted net income per share, as the vesting conditions required to convert these options to common shares were not met (13-week period ended April 1, 2023 — 303,317).

For the 13-week period ended March 30, 2024, 371,604 service-based LTIP share options were not included in the calculation of diluted net income per share as they were not in the money (13-week period ended April 1, 2023 — 225,376).

For the 13-week period ended March 30, 2024, 282,187 performance-based LTIP share options were not included in the calculation of diluted net income per share, as the vesting conditions required to convert these options to common shares were not met (13-week period ended April 1, 2023 — nil).

13. Share-based compensation:

(a) Amended and Restated Share Option Plan:

As at March 30, 2024, there were 1,258,963 options outstanding under the Amended and Restated Share Option Plan. During the 13-week period ended March 30, 2024, there was no option activity under the Amended and Restated Share Option Plan.

Exercise price range	Share options outstanding			Share options exercisable		
	Number of share options	Weighted average remaining contractual term (years)	Weighted average exercise price	Number of share options	Weighted average remaining contractual term (years)	Weighted average exercise price
\$0.01 — \$9.73	1,258,963	\$ 5.28	9.72	1,095,635	5.04	\$ 9.72

During the 13-week period ended March 30, 2024, the Company recorded share-based compensation expense in relation to the Amended and Restated Share Option Plan of \$46 (13-week period ended April 1, 2023 — \$318), which was included in selling, general and administrative expenses.

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For the 13-week periods ended March 30, 2024 and April 1, 2023

13. Share-based compensation (continued):

(b) LTIP:

(i) Share options:

The tables below summarize the share option activity under the LTIP:

	Options	Weighted average exercise price
Outstanding, December 30, 2023	1,671,279	\$ 26.53
Granted	297,102	\$ 29.98
Forfeited	(8,554)	\$ 36.87
Outstanding, March 30, 2024	1,959,827	\$ 27.01

Share options outstanding				Share options exercisable		
Exercise price range	Number of share options	Weighted average remaining contractual term (years)	Weighted average exercise price	Number of share options	Weighted average remaining contractual term (years)	Weighted average exercise price
\$20.00 — \$29.98	1,584,427	7.31	\$ 24.76	97,263	7.49	\$ 22.81
\$30.26 — \$40.24	375,400	8.58	\$ 36.50	92,538	8.58	\$ 36.58
\$20.00 — \$40.24	1,959,827	7.55	\$ 27.01	189,801	8.02	\$ 29.52

The Company uses the Black-Scholes option pricing model to calculate the fair value of options at the date of grant. The weighted-average assumptions used in the model for options granted during the 13-week period ended March 30, 2024 are as follows:

Weighted-average risk-free interest rate	3.45 %
Expected life (years)	5.50 — 7.00
Expected dividend yield	1.47 %
Expected volatility	31.92 %
Forfeiture rate	10.00 %
Weighted-average fair value per option granted	\$ 9.68

During the 13-week period ended March 30, 2024, the Company recorded share-based compensation expense in relation to the LTIP share options of \$1,591 (13-week period ended April 1, 2023 — \$201), which was included in selling, general and administrative expenses.

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13. Share-based compensation (continued):

(ii) RSUs:

The table below summarizes the RSU activity under the LTIP:

	Number of RSUs
Outstanding, December 30, 2023	187,819
Granted	100,755
Forfeited	(4,151)
Outstanding, March 30, 2024	284,423

The fair market value of future RSU cash-settlement obligations was \$3,002 at March 30, 2024 (April 1, 2023 — \$1,167). During the 13-week period ended March 30, 2024, the Company recorded share-based compensation expense for RSU cash-settlement obligations of \$795 (13-week period ended April 1, 2023 — \$224).

(iii) PSUs:

The table below summarizes the PSU activity under the LTIP:

	Number of PSUs
Outstanding, December 30, 2023	136,974
Granted	95,627
Outstanding, March 30, 2024	232,601

The expectation of the adjustment factor for the performance target linked to the total return to the Company's shareholders relative to the total return of companies comprising a blend of the S&P/TSX Completion Index, S&P/TSX Capped Consumer Discretionary, and the S&P/TSX Capped Consumer Staples is measured based on the Monte Carlo simulation method.

The key inputs used in the measurement of the fair value of the PSUs granted during the 13-week period ended March 30, 2024 are as follows:

Share price as at grant date	\$	29.85
Risk-free interest rate		4.25 %
Expected life (years)		3.00
Expected volatility		31.97 %

The fair market value of future PSU cash-settlement obligations was \$1,881 at March 30, 2024 (April 1, 2023 — \$1,233). During the 13-week period ended March 30, 2024, the Company recorded share-based compensation expense for PSU cash-settlement obligations of \$365 (13-week period ended April 1, 2023 — \$131).

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13. Share-based compensation (continued):

(c) Deferred share unit plan ("DSU Plan"):

The following is a summary of the Company's DSU Plan activity:

	Number of DSUs
Outstanding, December 30, 2023	53,549
Granted	813
Outstanding, March 30, 2024	54,362

The fair market value of future DSU cash-settlement obligations was \$1,719 at March 30, 2024 (April 1, 2023 — \$1,773). During the 13-week period ended March 30, 2024, the Company recorded share-based compensation expense for DSU cash-settled obligations of \$272 (13-week period ended April 1, 2023 — \$127).

14. Financial instruments and risk management:

(a) 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 the Company's 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.

(b) 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 management of working capital, cash flows, and by maintaining various financing sources, including bank debt and finance leases. Adequate availability is maintained on the operating loan component of its credit facility to minimize this risk. The Company's trade and other payables are all due within 12 months from the date of these interim financial statements.

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14. Financial instruments and risk management (continued):

(c) Market risk:

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: foreign currency risk and interest rate risk.

(i) Foreign currency risk:

The Company is exposed to foreign currency risk related to some of its purchases. Specifically, the Company sources some of its merchandise in U.S. dollars.

The Company is also exposed to foreign currency risk 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. 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 the 13-week period ended March 30, 2024 by \$455 (13-week period ended April 1, 2023 — \$378), as a result of the revaluation on these financial assets and liabilities.

(ii) 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 2021 Credit Facilities (Note 8) are at variable interest rates. Changes in the short-term floating rates can cause fluctuations in interest payments and cash flows.

A one percentage point change in the applicable interest rate on the 2021 Credit Agreement based on the debt outstanding as at March 30, 2024 would have changed income before income taxes for the 13-week period ended March 30, 2024 by \$729 (13-week period ended April 1, 2023 — \$773).

(d) Fair values:

Financial instruments that are measured subsequent to initial recognition at fair value are to be categorized in Levels 1 to 3 of the fair value hierarchy, based on the degree to which the fair value is observable. The three levels of the fair value hierarchy are:

- Level 1 – inputs that are quoted market prices (unadjusted) in active markets for identical instruments;
- Level 2 – inputs other than quoted market prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and

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14. Financial instruments and risk management (continued):

- Level 3 – inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable, and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect the difference between the instruments.

There were no transfers between levels of the fair value hierarchy for the 13-week periods ended March 30, 2024 and April 1, 2023.

The carrying values of cash, accounts and other receivables, and accounts payable and accrued liabilities approximate fair values due to the short-term maturity of these financial instruments.

The carrying amounts and fair values of the long-term debt are as follows:

	March 30, 2024		December 30, 2023	
	Carrying value	Fair value	Carrying value	Fair value
Liabilities:				
Long-term debt,				
including current portion ⁽¹⁾	(Level 2) \$ 289,070	\$ 291,500	\$ 293,224	\$ 295,937

⁽¹⁾ Carrying value is net of deferred financing fees.

15. Commitments, contingencies and guarantees:

(a) Distribution centre commitments:

The Company has provided the following commitments as at March 30, 2024:

(i) GTA:

The Company entered into agreements to procure certain material handling systems and equipment with commitments totaling approximately \$8,495 to be paid in fiscal year 2024.

(ii) Metro Vancouver Region:

The Company entered into agreements to procure certain equipment with commitments totaling approximately \$1,465 to be paid in fiscal year 2024.

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15. Commitments, contingencies and guarantees (continued):

(b) 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 interim financial statements.

(c) Other:

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 consolidated financial position, operating results or liquidity.

16. Related party transactions:

During the period ended January 1, 2022, the Company entered into a product sourcing and brand license agreement with a former subsidiary, pursuant to which the Company sources certain pet food and pet supply products licensed under the Company's proprietary brands in consideration of a sourcing fee. The original product sourcing and brand license agreement had an initial term of 18 months that was automatically renewable for successive 18-month terms unless earlier terminated upon notice. This agreement was amended and restated on August 10, 2022, and includes an initial term of five years, terminating on August 9, 2027, which automatically renews for successive 18-month periods unless earlier terminated. The Company earned sourcing fees of \$196 under the product sourcing and brand license agreement for the 13-week period ended March 30, 2024 (13-week period ended April 1, 2023 — \$246).

All of the related party transactions noted above were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

17. Subsequent events:

On May 6, 2024, the Board of Directors of the Company declared a dividend of \$0.11 per common share payable on June 17, 2024 to holders of common shares of record as at the close of business on May 31, 2024.