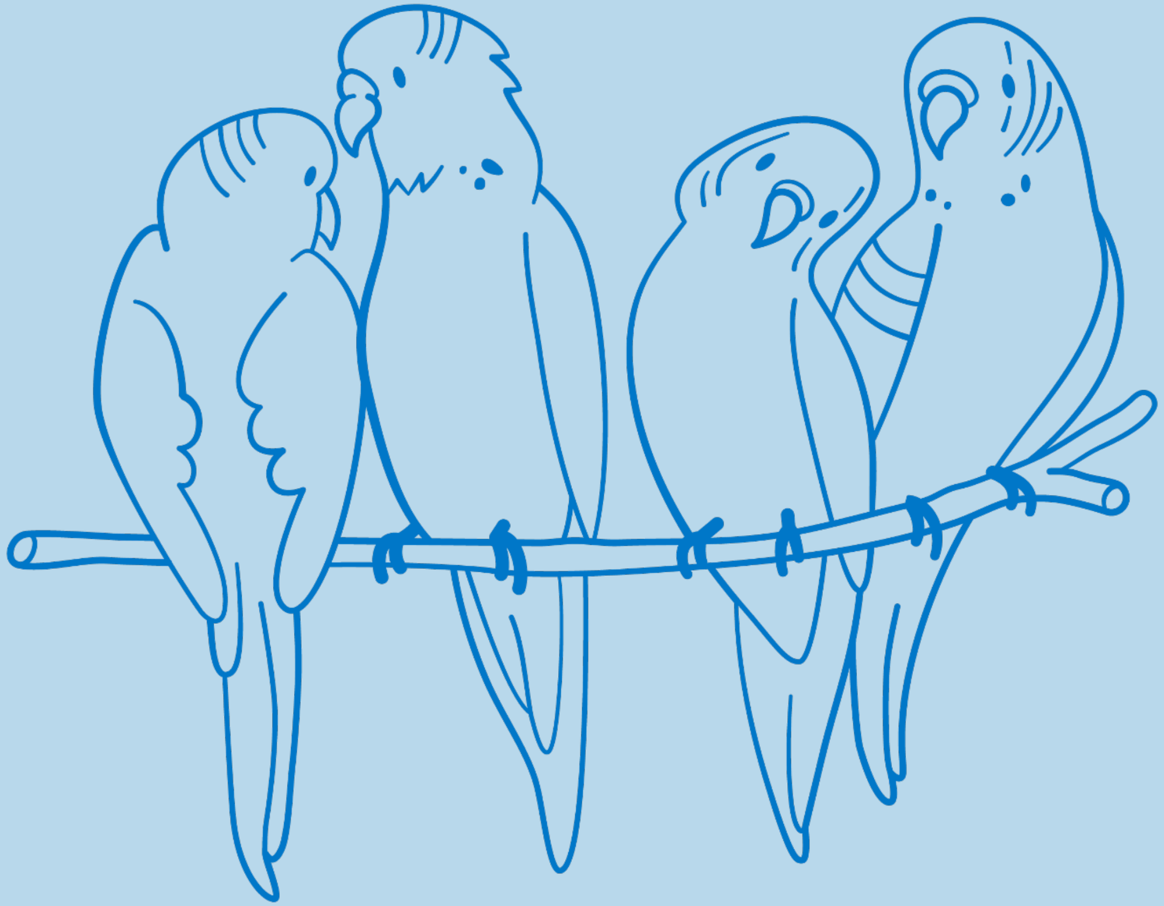
Q4 2022 Financial & Operating Review

For 13 week period ended Dec. 31, 2022



Disclaimers

Forward-Looking Information

This presentation contains forward-looking information. Forward-looking information is provided as of the date of this presentation 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. Particularly, information regarding the Company's 2023 outlook and expectations, intentions or projections of future results, performance, achievements, prospects, opportunities or the markets in which the Company operates is forward-looking information. To the extent any forward-looking information in this presentation 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. Pet Valu does not undertake to update any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada.

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 in our most recent annual information form dated March 6, 2023, which can be accessed under our profile on SEDAR at www.sedar.com. 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 forward-looking information contained in this presentation is expressly qualified by this cautionary statement.

Non-International Financial Reporting Standards ("IFRS") and Supplementary Financial Measures

This presentation makes reference to certain non-IFRS measures and non-IFRS ratios. These measures and ratios 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", "Net Capital Expenditures" and "Free Cash Flow" and non-IFRS ratios, including "Adjusted EBITDA Margin". Reconciliations of these non-IFRS measures and ratios (except for Net Capital Expenditures) are presented in the Appendix. This presentation also makes reference to certain supplementary financial measures that are commonly used in the retail industry, including "System-wide sales", "Same-store sales growth", "Same-store transaction growth", and "Same-store average spend per transaction." 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 Management's Discussion and Analysis ("MD&A") for the fourth quarter ended December 31, 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 (except for Net Capital Expenditures).

Today's Presenters

Richard Maltsbarger
President & Chief Executive Officer

Tammy Nunez
VP, Financial Planning & Analysis
(Acting in the capacity of
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 2022 Highlights

+12%
Same-Store Sales Growth
(traffic +4.6%; basket +6.9%)[1]

16
New Store Openings
(48 opened in 2022)

+19%
Revenue Growth
(to $266.0 million)

15
Renovations, Expansions or Relocations
(35 completed in 2022)

+11%
Adjusted EBITDA Growth
(to $59.3 million)

+67%
Growth in Quarterly Dividend
(to $0.10 per common share)

[1] Traffic refers to same-store transaction growth, basket refers to same-store average spend per transaction growth.
Note: Same-store sales growth, same-store transaction growth and same-store average spend per transaction are supplementary financial measures. Adjusted EBITDA is a non-IFRS measure. Refer to “Disclaimers – Non-IFRS and Supplementary Financial Measures” for a reconciliation of certain non-IFRS measures.

Looking Ahead

1 Expand Our Store Network

- Open 40-50 new stores in 2023
- Good progress on filling new store pipeline for 2023 & 2024
- Opportunity for share gains due to available white space in both existing and new markets
- Consistently strong return profile as rising store opening costs offset by higher sales volumes

2 Drive Same-Store Sales Growth

- Exciting merchandising innovation coming in both consumables & hardlines
- Continued enhancement of our omni-channel experience
- Improving marketing through our growing loyalty platform
- 20-30 renovations, expansions or relocations in 2023

3 Enhance Operating Margins

- Targeted actions to leverage prior investments and offset external cost pressures
- Step-up in capital investments to advance supply chain transformation, with GTA DC opening expected in mid-2023

Q4 2022 Key Financial Metrics

	Q4 2022	vs. PY[2]	Drivers
System-Wide Sales	**$360.6**	+25.0%	• Strong SSSG, 48 new stores in LTM and Chico acquisition • Excluding Chico, System-Wide Sales up 15%
Same-Store Sales Growth	**+11.8%**	---	• Traffic[1] +4.6% and basket[1] +6.9%
Revenue	**$266.0**	+19.3%	• Excl. Chico, revenue growth similar to System-Wide Sales
Gross Margin	**36.2%**	(60 bps)	• Unfavourable FX, higher wholesale shipments and sales mix partially offset by vendor recoveries & acquisition of Chico
Adjusted EBITDA	**$59.3**	+11.2%	• Top-line growth, partially offset by investments in headcount & wages, higher technology costs and lower gross margin
Adjusted EBITDA Margin	22.3%	(160 bps)	
Adjusted Net Income	**$31.1**	+6.3%	• Flow-through partially offset by higher interest expense, related to higher borrowing rates
Adj. Net Income per Diluted Share	$0.43	+4.9%	
Net Income	**$25.9**	(3.2%)	

[1]Traffic refers to same-store transaction growth, basket refers to same-store average spend/transaction growth. [2] PY refers to Q4 2021.

Note: All figures in millions, except per share amounts; SSSG = same-store-sales growth; LTM = last twelve months. System-Wide Sales is a supplementary financial measure. Adjusted EBITDA Margin is a non-IFRS ratio. Adjusted Net Income and Adjusted Net Income / Diluted Share are non-IFRS measures. Please see “Disclaimers – Non-IFRS and Supplementary Financial Measures” and the Appendix for a reconciliation of certain non-IFRS measures and ratios.

Q4 2022 Key Financial Metrics

Cash
$63.0M
(plus $130M revolver)

Free Cash Flow
$25.0M
($50.2M YTD)

Long-term Debt
$337.8M
(-2% since Q4 2021)

Net Leverage Ratio[1]
1.7x
(vs. 2.1x at Q4 2021)

Inventory
$118.4M
(+29% vs. Q4 2021)

Net Capital Expenditures
$19.8M
($37.2M YTD)

[1]Net Leverage Ratio = Net Debt (incl. leases) / LTM Adjusted EBITDA.
Note: Free Cash Flow and Net Capital Expenditures are non-IFRS measures. Please see "Disclaimers – Non-IFRS and Supplementary Financial Measures" and the Appendix for a reconciliation of certain non-IFRS measures.

2023 Outlook

	2023 Outlook	Growth from FY 2022
Same-Store Sales Growth	+7-10%	---
New Stores Openings	40-50	+5-7%[1]
Revenue	$1,050-1,075M	+10-13%
Adjusted EBITDA	$230-237M	+7-10%
Adjusted Net Income per Diluted Share	$1.60-1.66	+1-4%
Net Capital Expenditures	$60M	+$23M

[1] Represents growth in total store count from 744 stores as of December 31, 2022.

Appendix

Reconciliation of Adjusted EBITDA

	Quarters Ended	
	Dec. 31, 2022 (13 weeks)	Jan. 1, 2022 (13 weeks)
Net income	$25,881	$26,741
Depreciation & amortization	10,332	8,637
Interest expense, net	6,429	4,403
Income taxes expense	9,782	10,009
EBITDA	**52,424**	**49,790**
Adjustments to EBITDA:		
IT transformation costs(1)	1,984	1,518
Business transformation costs(2)	1,482	514
Other professional fees(3)	714	246
Share-based compensation(4)	1,930	1,154
Asset impairments(5)	448	—
Loss (gain) on foreign exchange(6)	180	105
Investment in associate(7)	139	8
Adjusted EBITDA	**$59,301**	**$53,335**
Adjusted EBITDA Margin (% of revenue)	**22.3%**	**23.9%**

(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 merchandise planning, inventory and order management, e-commerce and omni-channel capabilities, customer relationship management and other key processes.
(2) For Fiscal 2022, represents expenses associated to supply chain transformation initiatives, including the new distribution centre. For Fiscal 2021, 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 Pet Valu Holdings Ltd. prior to the distribution of its U.S. operations to its shareholder (the “Group”).
(3) Professional fees primarily incurred with respect to: (i) the CRA’s examination of the Company’s Canadian tax filings for the 2016 fiscal year; (ii) acquisition and integration costs incurred in relation to Chico in Fiscal 2022; and (iii) professional fees incurred with respect to the 2022 Secondary Offering.
(4) Represents share-based compensation in respect of our amended and restated share option plan, long-term incentive plan, and deferred share unit plan.
(5) Non-cash impairment charge taken against certain right-of-use assets for closed or relocated corporate-owned stores.
(6) Represents foreign exchange gains and losses.
(7) Represents the Company's share of loss from associate (Q4 2022 — $0.2 million) and the gain on the fair value of the related call option (Q4 2022 — $0.1 million). In Q3 2022, the Company revised its definition of Adjusted EBITDA to exclude the gain on the fair value of the related call option. Comparative figures for Fiscal 2021 are not impacted by the change in definition.

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.

Reconciliation of Adjusted Net Income

	Quarters Ended	
	Dec. 31, 2022 (13 weeks)	**Jan. 1, 2022 (13 weeks)**
Net income	**$25,881**	**$26,741**
Adjustments to Net Income:		
IT transformation costs(1)	1,984	1,518
Business transformation costs(2)	1,482	514
Other professional fees(3)	714	246
Share-based compensation(4)	1,930	1,154
Asset impairments(5)	448	—
Loss (gain) on foreign exchange(6)	180	105
Share of loss from associate(7)	139	8
Tax effect of adj. to net income	(1,631)	(990)
Adjusted Net Income	**$31,127**	**$29,296**
Adjusted Net Income per Diluted Share(8)	**$0.43**	**$0.41**

(1) 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.
(2) For Fiscal 2022, represents expenses associated to supply chain transformation initiatives, including the new distribution centre. For Fiscal 2021, 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.
(3) Professional fees primarily incurred with respect to: (i) the CRA's examination of the Company's Canadian tax filings for the 2016 fiscal year; (ii) acquisition and integration costs incurred in relation to Chico in Fiscal 2022; and (iii) professional fees incurred with respect to the 2022 Secondary Offering.
(4) Represents share-based compensation in respect of our amended and restated share option plan, long-term incentive plan, and deferred share unit plan.
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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	
	Dec. 31, 2022 (13 weeks)	**Jan. 1, 2022 (13 weeks)**
Cash provided by operating activities	$46,940	53,091
Cash (used in) provided by investing activities	(11,429)	(6,018)
Repayment of principal on lease liabilities	(7,371)	(11,473)
Interest paid on lease liabilities	(3,065)	(2,908)
Notes receivables	(55)	2,585
Free Cash Flow	**$25,020**	**$35,277**

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.

Thank You

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