



Pet Valu Reports Fourth Quarter and Fiscal Year 2024 Results

*Grows Revenue 4%, Increases Adjusted EBITDA⁽¹⁾ 7%, and Reports Net Income of \$87 million in 2024
Raises Quarterly Dividend 9% and Issues 2025 Outlook*

Markham, Ontario, March 4, 2025 - Pet Valu Holdings Ltd. ("Pet Valu" or the "Company") (TSX: PET), the leading Canadian specialty retailer of pet food and pet-related supplies, today announced its financial results for the fourth quarter and fiscal year ended December 28, 2024.

Fourth Quarter Highlights

- System-wide sales⁽²⁾ were \$388.1 million, an increase of 2.4% versus Q4 2023. Same-store sales decline⁽²⁾ was 0.2%.
- Revenue was \$295.1 million, up 2.9% versus Q4 2023.
- Adjusted EBITDA was \$68.2 million, down 4.3% versus Q4 2023, representing 23.1% of revenue. Operating income was \$47.9 million, down 0.8% versus Q4 2023.
- Net income was \$28.9 million, up from \$28.8 million in Q4 2023.
- Adjusted Net Income⁽¹⁾ was \$32.2 million or \$0.45 per diluted share⁽³⁾, compared to \$39.1 million or \$0.54 per diluted share, respectively, in Q4 2023.
- Opened 19 new stores and ended the quarter with 824 stores across the network.
- The Board of Directors of the Company declared a dividend of \$0.12 per common share.

Fiscal Year Highlights

- System-wide sales were \$1,452.9 million, an increase of 2.3% versus the prior year. Same-store sales decline was 0.5%.
- Revenue was \$1,097.2 million, up 3.9% versus the prior year.
- Adjusted EBITDA was \$247.1 million, up 6.9% versus the prior year, representing 22.5% of revenue. Operating income was \$155.3 million, down 3.4% versus the prior year.
- Net income was \$87.4 million, down from \$89.5 million in the prior year.
- Adjusted Net Income was \$113.3 million or \$1.57 per diluted share, compared to \$116.5 million or \$1.61 per diluted share, respectively, in the prior year.

2025 Outlook

- The Company expects revenue between \$1.17 and \$1.20 billion, Adjusted EBITDA between \$254 and \$260 million, Adjusted Net Income per Diluted Share between \$1.60 and \$1.66 and Net Capital Expenditures⁽¹⁾ of approximately \$35 million.

"We closed out a dynamic year with strong operational execution, together with favourable revenue and profit results in the fourth quarter," said Richard Maltsbarger, Chief Executive Officer of Pet Valu. "These outcomes were supported by our fully operational GTA and Surrey distribution centres, improved online capabilities, highly relevant promotional cadence and solid cost management across our teams.

"2025 will be another exciting year, as we complete our supply chain transformation and deploy improved promotions and pricing tools to enable a return to same-store sales and profit growth as we progress through the year," concluded Mr. Maltsbarger.

Financial Results for the Fourth Quarter Fiscal 2024

All comparative figures below are for the 13-week period ended December 28, 2024, compared to the 13-week period ended December 30, 2023.

Revenue was \$295.1 million in Q4 2024, an increase of \$8.2 million, or 2.9%, compared to \$286.9 million in Q4 2023. The increase in revenue was mostly driven by growth in franchise and other revenues and partially offset by a decline in retail sales.

Same-store sales decline was 0.2% in Q4 2024, primarily driven by a 2.1% same-store transaction decline⁽²⁾ partially offset by a 2.0% increase in same-store average spend per transaction growth⁽²⁾. This is compared to same-store sales growth of 1.9% in Q4 2023, which primarily consisted of a 3.0% increase in same-store average spend per transaction growth partially offset by a 1.1% same-store transaction decline.

Gross profit increased by \$1.7 million, or 1.7%, to \$100.2 million in Q4 2024, compared to \$98.5 million in Q4 2023. Gross profit margin was 34.0% in Q4 2024, compared to 34.3% in Q4 2023. Excluding costs related to the supply chain transformation of 2.2% in Q4 2023, the gross profit margin was 36.5% in Q4 2023 and decreased by 2.5% compared to Q4 2024. The decrease was primarily driven by: (i) higher distribution and occupancy costs from the new Greater Toronto Area ("GTA") and Metro Vancouver Region ("MVR") distribution centres, and (ii) higher wholesale merchandise sales.

Selling, general and administrative ("SG&A") expenses were \$52.3 million in Q4 2024, an increase of \$2.1 million, or 4.2%, compared to \$50.2 million in Q4 2023. SG&A expenses represented 17.7% and 17.5% of total revenue for Q4 2024 and Q4 2023, respectively. The increase of \$2.1 million in SG&A expenses was primarily due to: (i) higher marketing and advertising expenses; (ii) impairment charge recognized against right-of-use assets and property and equipment; (iii) lower gain on sale of assets for re-franchised stores; and (iv) higher depreciation and amortization from store growth and investments in other assets; partially offset by (v) lower administrative and technology expenditures.

Adjusted EBITDA decreased by \$3.1 million, or 4.3%, to \$68.2 million in Q4 2024, compared to \$71.3 million in Q4 2023. The decrease is explained by lower EBITDA⁽¹⁾ of \$0.1 million and \$3.0 million of net lower adjustments from EBITDA for Q4 2024 compared to Q4 2023 from lower share-based compensation, business transformation costs, information technology transformation costs, and other professional fees, partially offset by a higher loss on foreign exchange, and asset impairments. Adjusted EBITDA as a percentage of revenue⁽³⁾ was 23.1% and 24.8% in Q4 2024 and Q4 2023, respectively.

Net interest expense was \$6.6 million in Q4 2024, a decrease of \$1.9 million, or 22.5%, compared to \$8.5 million in Q4 2023. The decrease was primarily driven by (i) lower interest expense on the Term Facility (as defined in the Company's management's discussion and analysis ("MD&A") for the fiscal year ended December 28, 2024) resulting from lower interest rates and lower debt outstanding compared to Q4 2023; (ii) a gain recognized on the modification of debt; partially offset by (iii) higher interest expense on lease liabilities resulting primarily from store network expansion and the new MVR distribution centre.

Income taxes were \$11.2 million in Q4 2024 compared to \$11.3 million in Q4 2023, a decrease of \$0.2 million year over year. The decrease in income taxes was primarily the result of lower taxable earnings in Q4 2024. The effective income tax rate was 27.8% in Q4 2024 compared to 28.2% in Q4 2023. The Q4 2024 and Q4 2023 effective tax rates were higher than the blended statutory rate of 26.5% due to non-deductible expenses.

Net income increased by \$0.1 million to \$28.9 million in Q4 2024, compared to \$28.8 million in Q4 2023. The increase in net income is primarily explained by lower net interest expense and lower income taxes, partially offset by lower operating income and higher loss on foreign exchange, as described above.

Adjusted Net Income decreased by \$6.9 million to \$32.2 million in Q4 2024, compared to \$39.1 million in Q4 2023. Adjusted Net Income as a percentage of revenue⁽³⁾ was 10.9% in Q4 2024 and 13.6% in Q4 2023. The decrease is explained by the changes in net income described above, and net lower adjustments for Q4 2024 compared to Q4 2023 from lower business 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 share-based compensation, the gain on modification of debt in Q4 2024, and lower information technology transformation costs; partially offset by a higher loss on foreign exchange, and asset impairments.

Adjusted Net Income per Diluted Share decreased by \$0.09 to \$0.45 in Q4 2024, compared to \$0.54 in Q4 2023. The 16.7% year over year decrease results primarily from the changes in Adjusted Net Income and the factors described above.

Cash at the end of the fourth quarter totaled \$35.1 million.

Net Capital Expenditures were \$14.8 million in Q4 2024 compared to \$11.4 million in Q4 2023, an increase of \$3.4 million primarily due to higher expenditures on store network expansion, construction in progress for the new Calgary distribution centre and lower proceeds on disposal of property and equipment from the sale of corporate-owned stores to franchisees.

Free Cash Flow⁽¹⁾ amounted to \$41.0 million in Q4 2024 compared to \$34.3 million in Q4 2023, an increase of \$6.8 million primarily driven by an increase in cash from operating activities; partially offset by an increase in payments of principal and interest on lease liabilities due to the new MVR distribution centre and store network expansion, and an increase in cash used for investing activities.

Inventory at the end of Q4 2024 was \$124.6 million compared to \$122.1 million at the end of Q4 2023, an increase of \$2.5 million primarily to support the growth of our store network, and due to the timing of purchases.

Financial Results for Fiscal 2024

All comparative figures below are for the 52-week period ended December 28, 2024, compared to the 52-week period ended December 30, 2023.

Revenue was \$1,097.2 million in Fiscal 2024, an increase of \$41.3 million, or 3.9%, compared to \$1,055.9 million in Fiscal 2023. The increase in revenue was mostly driven by the growth in franchise and other revenues and partially offset by a decline in retail sales.

Same-store sales decline was 0.5% in Fiscal 2024 primarily driven by a 2.7% same-store transaction decline and partially offset by a 2.3% increase in same-store average spend per transaction growth. This is compared to same-store sales growth of 5.2% in Fiscal 2023, which primarily consisted of a 4.4% increase in same-store average spend per transaction growth and a 0.7% increase in same-store transaction growth.

Gross profit decreased by \$0.5 million, or 0.1%, to \$364.6 million in Fiscal 2024, compared to \$365.1 million in Fiscal 2023. Gross profit margin was 33.2% of revenue in Fiscal 2024 compared to 34.6% in Fiscal 2023. Excluding the costs related to the supply chain transformation of 0.8% in Fiscal 2024 and

1.1% in Fiscal 2023, the gross profit margin was 34.0% and 35.7% in Fiscal 2024 and Fiscal 2023, respectively, and decreased by 1.7%. The decrease was primarily driven by (i) higher distribution and occupancy costs from the new distribution centres, and (ii) higher wholesale merchandise sales.

Selling, general and administrative expenses were \$209.3 million in Fiscal 2024, an increase of \$4.9 million, or 2.4%, compared to \$204.4 million in Fiscal 2023. SG&A expenses represented 19.1% and 19.4% of total revenue for Fiscal 2024 and Fiscal 2023, respectively. The increase of \$4.9 million in SG&A expenses was mostly due to: (i) increased compensation costs as a result of higher variable compensation and share-based compensation; (ii) higher technology expenditures due to Software-as-a-Service (“SaaS”) fees and project-based implementation costs associated with new information technology systems; (iii) higher depreciation and amortization from store growth and investments in other assets; and (iv) higher marketing and advertising expenses; partially offset by (v) higher gain on sale of assets for re-franchised stores and (vi) lower real estate and professional fees.

Adjusted EBITDA increased by \$16.0 million, or 6.9%, to \$247.1 million in Fiscal 2024, compared to \$231.0 million in Fiscal 2023. The increase is explained by \$12.9 million of higher EBITDA in Fiscal 2024 compared to Fiscal 2023 and by \$3.2 million of net higher adjustments from EBITDA in Fiscal 2024 versus Fiscal 2023 from information technology transformation costs, loss on foreign exchange, share-based compensation, business transformation costs, asset impairments, and other professional fees, partially offset by the share of loss from an investment in associate in Fiscal 2023. Adjusted EBITDA as a percentage of revenue was 22.5% and 21.9% in Fiscal 2024 and Fiscal 2023, respectively.

Net interest expense was \$32.1 million in Fiscal 2024, an increase of \$1.5 million, or 4.8%, compared to \$30.6 million in Fiscal 2023. The increase was primarily driven by (i) higher interest expense on lease liabilities resulting from the new GTA and MVR distribution centres, store network expansion and renewal of existing leases; partially offset by (ii) lower interest expense on the Term Facility resulting from lower debt outstanding and lower interest rates compared to Fiscal 2023; (iii) a gain recognized on the modification of debt; and (iv) higher interest income on lease receivables.

Income taxes were \$34.0 million in Fiscal 2024 compared to \$35.6 million in Fiscal 2023, a decrease of \$1.7 million year over year. The decrease in income taxes was primarily the result of lower taxable earnings in Fiscal 2024. The effective income tax rate was 28.0% in Fiscal 2024 compared to 28.5% in Fiscal 2023. The Fiscal 2024 and Fiscal 2023 effective tax rates were higher than the blended statutory rate of 26.5% primarily because of non-deductible expenses and, in addition, in Fiscal 2023, due to the impairment of an investment in associate.

Net income decreased by \$2.1 million to \$87.4 million in Fiscal 2024, compared to \$89.5 million in Fiscal 2023. The decrease in net income is primarily explained by the lower operating income, higher net interest expense, and loss on foreign exchange, partially offset by lower income taxes, as described above, and by the impairment and loss recognized on the derecognition of the call option related to an investment in associate included in Fiscal 2023.

Adjusted Net Income decreased by \$3.2 million to \$113.3 million in Fiscal 2024, compared to \$116.5 million in Fiscal 2023. Adjusted Net Income as a percentage of revenue was 10.3% in Fiscal 2024 and 11.0% in Fiscal 2023, respectively. The decrease is explained by the changes in net income described above, and net lower adjustments for Fiscal 2024 compared to Fiscal 2023 from the share of loss from investment in associate in Fiscal 2023, lower business transformation costs, which includes the 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, and the gain on

modification of debt in Fiscal 2024; partially offset by higher information technology transformation costs, share based compensation, asset impairments, and other professional fees.

Adjusted Net Income per Diluted Share decreased by \$0.04 to \$1.57 in Fiscal 2024, compared to \$1.61 in Fiscal 2023. The 2.5% year over year decrease results primarily from changes in Adjusted Net Income and the factors described above.

Net Capital Expenditures were \$52.3 million in Fiscal 2024 and Fiscal 2023.

Free Cash Flow amounted to \$102.6 million in Fiscal 2024 compared to \$48.7 million in Fiscal 2023, an increase of \$54.0 million primarily driven by an increase in cash from operating activities and a decrease in cash used for investing activities; partially offset by an increase in payments of principal and interest on lease liabilities due to the new GTA and MVR distribution centres, and store network expansion.

Dividends

On March 3, 2025, the Board of Directors of the Company declared a dividend of \$0.12 per common share payable on April 15, 2025 to holders of common shares of record as at the close of business on March 31, 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;
- Business and information technology 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 similar to Fiscal 2024.

⁽¹⁾ This is a non-IFRS financial measure. Non-IFRS financial measures are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. Refer to "Non-IFRS and Other Financial Measures" and "Selected Consolidated Financial Information" below for a reconciliation of the non-IFRS measures (except for Net Capital Expenditures) used in this release to the most comparable IFRS measures. Also refer to the sections entitled "How We Assess the Performance of Our Business", "Non-IFRS and Other Financial

Measures" and "Selected Consolidated Financial Information and Industry Metrics" in the MD&A for the fiscal year ended December 28, 2024, incorporated by reference herein, for further details concerning EBITDA, Adjusted EBITDA, Adjusted Net Income, Free Cash Flow, and Net Capital Expenditures including definitions, reconciliations to the relevant reported IFRS measure and for an explanation of the reason for the change in composition of Adjusted EBITDA and Adjusted Net Income. A copy of the MD&A for the fiscal year ended December 28, 2024 is available on SEDAR+ at www.sedarplus.ca.

⁽²⁾ This is a supplementary financial measure. Refer to "Non-IFRS and Other Financial Measures" below and to the section entitled "How We Assess the Performance of Our Business" in the MD&A for the fiscal year ended December 28, 2024 for the definitions of supplementary financial measures.

⁽³⁾ This is a non-IFRS ratio. Non-IFRS ratios are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. Refer to "Non-IFRS and Other Financial Measures" below and to the section entitled "How We Assess the Performance of Our Business" in the MD&A for the fiscal year ended December 28, 2024 for the definitions of non-IFRS ratios and each non-IFRS measure that is used as a component of such non-IFRS ratios.

Conference Call Details

A conference call to discuss the Company's fourth quarter results is scheduled for March 4, 2025, at 8:30 a.m. ET. To access Pet Valu's conference call, please dial 1-833-950-0062 (ID: 587971). A live webcast of the call will also be available through the Events & Presentations section of the Company's website at <https://investors.petvalu.com/>.

For those unable to participate, a playback will be available shortly after the conclusion of the call by dialing 1-866-813-9403 (ID: 515858) and will be accessible until March 11, 2025. The webcast will also be archived and available through the Events & Presentations section of the Company's website at <https://investors.petvalu.com/>.

About Pet Valu

Pet Valu is Canada's leading retailer of pet food and pet-related supplies with over 800 corporate-owned or franchised locations across the country. For more than 45 years, Pet Valu has earned the trust and loyalty of pet parents by offering knowledgeable customer service, a premium product offering and engaging in-store services. Through its neighbourhood stores and digital platform, Pet Valu offers more than 10,000 competitively-priced products, including a broad assortment of premium, super premium, holistic and award-winning proprietary brands. The Company is headquartered in Markham, Ontario and its shares trade on the Toronto Stock Exchange (TSX: [PET](#)). To learn more, please visit: www.petvalu.ca.

Non-IFRS and Other Financial Measures

This press release 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", "Free Cash Flow" and "Net Capital Expenditures", and non-IFRS ratios, including "Adjusted EBITDA as a percentage of revenue", "Adjusted Net Income as a percentage of revenue", and "Adjusted Net Income per Diluted Share". This press release 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 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, non-IFRS ratios and these supplementary financial measures in the evaluation of issuers. Management 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 the MD&A for the fiscal year ended December 28, 2024 for further information on non-IFRS measures, non-IFRS ratios (including each non-IFRS measure that is used as a component of such non-IFRS ratios) and supplementary measures, including for their definition and, for non-IFRS measures, a reconciliation to the most comparable IFRS measure.

Forward-Looking Information

Some of the information contained in this press release is forward-looking information. Forward-looking information is provided as at the date of this press release 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. Actual results and the timing of events may differ materially from those anticipated in the forward-looking information as a result of various factors. Particularly, information regarding our expectations of future results, targets, performance achievements, prospects or opportunities, including the information under the headings "2025 Outlook" and "Outlook" in this press release, is "future-oriented financial information" or a "financial outlook" within the meaning of applicable securities legislation, which is based on the factors and assumptions, and subject to the risks, as set out herein and in the Company's annual information form dated March 3, 2025 ("AIF"). 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.

Many factors could cause our actual results, level of activity, performance or achievements, future events or developments, or outlook 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 the AIF. A copy of the AIF and the Company's other publicly filed documents can be accessed under the Company's profile on SEDAR+ at www.sedarplus.ca.

The Company cautions that the list of risk factors and uncertainties described in the AIF is not exhaustive and other factors could also adversely affect its results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating forward-looking information and are cautioned not to place undue reliance on such information.

For more information:

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SELECTED CONSOLIDATED FINANCIAL INFORMATION

Consolidated Statements of Income and Comprehensive Income

(Unaudited, expressed in thousands of Canadian dollars, except per share amounts)

	Quarters Ended		Fiscal Years Ended	
	December 28, 2024	December 30, 2023	December 28, 2024	December 30, 2023
	13 weeks	13 weeks	52 weeks	52 weeks
Revenue:				
Retail sales	\$ 104,929	\$ 110,089	\$ 405,357	\$ 421,828
Franchise and other revenues	190,220	176,819	691,836	634,039
Total revenue	295,149	286,908	1,097,193	1,055,867
Cost of sales	194,933	188,407	732,554	690,730
Gross profit	100,216	98,501	364,639	365,137
Selling, general and administrative expenses	52,344	50,236	209,316	204,411
Total operating income	47,872	48,265	155,323	160,726
Interest expenses, net	6,552	8,456	32,103	30,646
Loss (gain) on foreign exchange	1,265	(256)	1,836	188
Other loss	—	—	—	4,718
Income before income taxes	40,055	40,065	121,384	125,174
Income tax expense	11,150	11,300	33,964	35,626
Net income	28,905	28,765	87,420	89,548
Other comprehensive income, net of tax:				
Currency translation adjustments that may be reclassified to net income, net of tax	—	—	—	18
Comprehensive income for the period attributable to the shareholders of the Company	\$ 28,905	\$ 28,765	\$ 87,420	\$ 89,566
Basic net income per share attributable to the common shareholders	\$ 0.41	\$ 0.40	\$ 1.22	\$ 1.26
Diluted net income per share attributable to the common shareholders	\$ 0.40	\$ 0.40	\$ 1.21	\$ 1.24

Reconciliation of Net Income to EBITDA and Adjusted EBITDA

(Unaudited, in thousands of Canadian dollars unless otherwise noted)

	Quarters Ended		Fiscal Years Ended	
	December 28, 2024	December 30, 2023	December 28, 2024	December 30, 2023
	13 weeks	13 weeks	52 weeks	52 weeks
Reconciliation of net income to Adjusted EBITDA:				
Net income	\$ 28,905	\$ 28,765	\$ 87,420	\$ 89,548
Depreciation and amortization	16,784	14,999	65,913	50,718
Interest expenses, net	6,552	8,456	32,103	30,646
Income tax expense	11,150	11,300	33,964	35,626
EBITDA	63,391	63,520	219,400	206,538
Adjustments to EBITDA:				
Information technology transformation costs ⁽¹⁾	539	864	5,693	3,309
Business transformation costs ⁽²⁾	1,837	4,037	10,989	9,689
Other professional fees ⁽³⁾	221	225	1,218	741
Share-based compensation ⁽⁴⁾	176	2,866	7,203	5,855
Asset impairments ⁽⁵⁾	744	—	744	—
Loss (gain) on foreign exchange ⁽⁶⁾	1,265	(256)	1,836	188
Investment in associate ⁽⁷⁾	—	—	—	4,718
Adjusted EBITDA	\$ 68,173	\$ 71,256	\$ 247,083	\$ 231,038
Adjusted EBITDA as a percentage of revenue	23.1%	24.8%	22.5%	21.9%

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.
- (2) Represents expenses associated with supply chain (2023, 2024) and merchandise transformation initiatives (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. The expenses included in cost of sales in Q4 2024 and Fiscal 2024 were \$nil and \$4.4 million, respectively (Q4 2023 and Fiscal 2023 – \$2.4 million and \$5.0 million, respectively). The expenses included in selling, general, and administrative expenses in Q4 2024 and Fiscal 2024 were \$0.9 million and \$4.3 million, respectively (Q4 2023 and Fiscal 2023 – \$0.8 million and \$3.9 million, respectively). Additionally, in Q4 2024 and Fiscal 2024, business transformation costs include \$0.9 million and \$2.3 million, respectively, of expenses, included in selling, general and administrative expenses, predominantly related to a reorganization in the senior leadership team and other transformation initiatives. In Q4 2023 and Fiscal 2023, business transformation costs also include \$0.8 million of severance related expenses, included in selling, general and administrative expenses, associated with restructuring activities in certain business support functions.
- (3) Represents professional fees primarily incurred with respect to: (i) the Canada Revenue Agency's ("CRA") examination of the Company's Canadian tax filings discussed in the "Income Taxes" section of the Company's MD&A for the fiscal year ended December 28, 2024; and (ii) professional fees incurred with respect to the secondary offerings of the Company's common shares completed on June 1, 2023 (the "2023 Secondary Offering") and May 15, 2024 (the "2024 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) Represents non-cash impairment charge taken mostly against the right-of-use asset and certain other assets for a corporate store.
- (6) Represents foreign exchange gains and losses.
- (7) Represents the Company's share of gain or loss from an associate, including impairment losses, and any gains or losses on a related call option. Specifically, the Company's share of loss from associate of \$3.4 million for Fiscal 2023 and loss on the fair value of the related call option of \$1.3 million for Fiscal 2023.

Reconciliation of Net Income to Adjusted Net Income

(Unaudited, in thousands of Canadian dollars unless otherwise noted)

	Quarters Ended		Fiscal Years Ended	
	December 28, 2024	December 30, 2023	December 28, 2024	December 30, 2023
	13 weeks	13 weeks	52 weeks	52 weeks
Reconciliation of net income to Adjusted Net Income:				
Net income	\$ 28,905	\$ 28,765	\$ 87,420	\$ 89,548
Adjustments to net income:				
Information technology transformation costs ⁽¹⁾	539	864	5,693	3,309
Business transformation costs ⁽²⁾	1,957	9,558	17,431	18,790
Other professional fees ⁽³⁾	221	225	1,218	741
Share-based compensation ⁽⁴⁾	176	2,866	7,203	5,855
Asset impairments ⁽⁵⁾	744	—	744	—
Gain on modification of debt ⁽⁶⁾	(1,019)	—	(1,019)	—
Loss (gain) on foreign exchange ⁽⁷⁾	1,265	(256)	1,836	188
Investment in associate ⁽⁸⁾	—	—	—	4,718
Tax effect of adjustments to net income	(605)	(2,926)	(7,199)	(6,611)
Adjusted Net Income	\$ 32,183	\$ 39,096	\$ 113,327	\$ 116,538
Adjusted Net Income as a percentage of revenue	10.9%	13.6%	10.3%	11.0%
Adjusted Net Income per Diluted Share	\$ 0.45	\$ 0.54	\$ 1.57	\$ 1.61

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.
- (2) Represents expenses associated with supply chain (2023, 2024) and merchandise transformation initiatives (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. This also includes 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 Q4 2024 and Fiscal 2024 were \$0.2 million and \$8.5 million, respectively (Q4 2023 and Fiscal 2023 – \$6.3 million and \$11.4 million, respectively). The expenses included in selling, general, and administrative expenses in Q4 2024 and Fiscal 2024 were \$0.9 million and \$4.3 million, respectively (Q4 2023 and Fiscal 2023 – \$0.8 million and \$3.9 million, respectively). The interest expense on the lease liability in Q4 2024 and Fiscal 2024 was \$nil and \$2.3 million, respectively (Q4 2023 and Fiscal 2023 – \$1.7 million and \$2.7 million, respectively). Additionally, in Q4 2024 and Fiscal 2024, business transformation costs include \$0.9 million and \$2.3 million, respectively, of expenses, included in selling, general and administrative expenses, predominantly related to a reorganization in the senior leadership team and other transformation initiatives. In Q4 2023 and Fiscal 2023, business transformation costs also included \$0.8 million of severance related expenses, included in selling, general and administrative expenses, associated with restructuring activities in certain business support functions.
- (3) 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 of the Company's MD&A for the fiscal year ended December 28, 2024; and (ii) professional fees incurred with respect to the 2023 Secondary Offering and 2024 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) Represents non-cash impairment charge taken mostly against the right-of-use asset and certain other assets for a corporate store.
- (6) Represents a gain on debt modification recognized in interest expenses, net in connection with the third amendment of the credit agreement as discussed in the "Liquidity and Capital Resources – Credit Facilities" section of the Company's MD&A for the fiscal year ended December 28, 2024.
- (7) Represents foreign exchange gains and losses.
- (8) Represents the Company's share of gain or loss from an associate, including impairment losses, and any gains or losses on a related call option. Specifically, the Company's share of loss from associate of \$3.4 million for Fiscal 2023 and loss on the fair value of the related call option of \$1.3 million for Fiscal 2023.

Consolidated Statements of Cash Flows

(Unaudited, in thousands of Canadian dollars)

	Quarters Ended		Fiscal Years Ended	
	December 28, 2024	December 30, 2023	December 28, 2024	December 30, 2023
	13 weeks	13 weeks	52 weeks	52 weeks
Cash provided by (used in):				
Operating activities:				
Net income for the period	\$ 28,905	\$ 28,765	\$ 87,420	\$ 89,548
Adjustments for items not affecting cash:				
Depreciation and amortization	16,784	14,999	65,913	50,718
Impairment of property and equipment	216	—	216	—
Impairment of right-of-use assets	528	—	528	—
Deferred franchise fees	41	196	129	333
Gain on disposal of property and equipment	(755)	(1,837)	(3,565)	(3,158)
(Gain) loss on sale of right-of-use assets	(17)	417	(49)	1,106
Loss (gain) on foreign exchange	1,265	(256)	1,836	188
Loss on financial instruments	—	—	—	1,302
Share-based compensation expense	176	2,866	7,203	5,855
Share of loss from associate	—	—	—	3,416
Interest expenses, net	6,552	8,456	32,103	30,646
Income tax expense	11,150	11,300	33,964	35,626
Income taxes paid	(6,332)	(13,321)	(31,213)	(56,451)
Changes in non-cash operating working capital:				
Accounts receivable	(5,836)	(3,209)	(7,351)	(4,949)
Inventories	10,246	12,978	(2,259)	(3,563)
Prepaid expenses	795	1,637	8,818	(2,952)
Accounts payable and accrued liabilities	4,019	(7,777)	6,383	(12,321)
Net cash provided by operating activities	67,737	55,214	200,076	135,344
Financing activities:				
Proceeds from exercise of share options	—	—	4,089	4,349
Shares repurchased for cancellation	(27,964)	—	(30,007)	—
Dividends paid on common shares	(7,832)	(7,146)	(31,470)	(28,536)
Repayment of long-term debt	—	(4,438)	(13,312)	(45,750)
Interest paid on long-term debt	(3,042)	(5,862)	(22,847)	(13,526)
Repayment of principal on lease liabilities	(16,790)	(13,876)	(64,898)	(52,944)
Interest paid on lease liabilities	(5,915)	(5,347)	(23,409)	(16,498)
Financing costs	(1,971)	—	(1,971)	—
Standby letter of credit commitment fees	—	—	—	(872)
Net cash used in financing activities	(63,514)	(36,669)	(183,825)	(153,777)
Investing activities:				
Business acquisition, net of cash acquired	—	—	—	(3,000)
Purchases of property and equipment	(17,473)	(15,029)	(60,612)	(57,291)
Purchase of intangible assets	(603)	(568)	(2,121)	(3,257)
Proceeds on disposal of property and equipment	2,074	3,709	8,178	6,579
Right-of-use asset initial direct costs	(1,131)	(1,173)	(2,549)	(2,627)
Tenant allowances	1,226	450	2,272	1,635
Notes receivable	93	38	598	1,088
Lease receivables	9,347	8,075	35,176	30,344
Interest received on lease receivables and other	2,975	2,822	11,914	10,887
Repurchase of franchises	(407)	—	(1,378)	(512)
Net cash used in investing activities	(3,899)	(1,676)	(8,522)	(16,154)
Effect of exchange rate on cash	(613)	234	(1,032)	(3)
Net (decrease) increase in cash	(289)	17,103	6,697	(34,590)
Cash, beginning of period	35,430	11,341	28,444	63,034
Cash, end of period	\$ 35,141	\$ 28,444	\$ 35,141	\$ 28,444

Free Cash Flows

(Unaudited, expressed in thousands of Canadian dollars)

	Quarters Ended		Fiscal Years Ended	
	December 28, 2024	December 30, 2023	December 28, 2024	December 30, 2023
	13 weeks	13 weeks	52 weeks	52 weeks
Cash provided by operating activities	\$ 67,737	\$ 55,214	\$ 200,076	\$ 135,344
Cash used in investing activities	(3,899)	(1,676)	(8,522)	(16,154)
Repayment of principal on lease liabilities	(16,790)	(13,876)	(64,898)	(52,944)
Interest paid on lease liabilities	(5,915)	(5,347)	(23,409)	(16,498)
Notes receivable	(93)	(38)	(598)	(1,088)
Free Cash Flow	\$ 41,040	\$ 34,277	\$ 102,649	\$ 48,660

Consolidated Statements of Financial Position

(Audited, expressed in thousands of Canadian dollars)

	As at December 28, 2024	As at December 30, 2023
Assets		
Current assets:		
Cash	\$ 35,141	\$ 28,444
Accounts and other receivables	34,963	27,875
Inventories, net	124,577	122,069
Income taxes recoverable	905	6,012
Prepaid expenses and other assets	10,585	19,403
Current portion of lease receivables	40,339	34,332
Total current assets	246,510	238,135
Non-current assets:		
Long-term lease receivables	170,052	159,101
Right-of-use assets, net	242,796	237,941
Property and equipment, net	151,462	120,493
Intangible assets, net	50,248	52,205
Goodwill	98,180	97,562
Deferred tax assets	7,814	7,230
Other assets	3,869	4,240
Total non-current assets	724,421	678,772
Total assets	\$ 970,931	\$ 916,907
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 105,757	\$ 88,416
Provisions	355	669
Current portion of deferred franchise fees	1,427	1,344
Current portion of lease liabilities	76,881	64,068
Current portion of long-term debt	—	17,750
Total current liabilities	184,420	172,247
Non-current liabilities:		
Long-term deferred franchise fees	4,522	4,166
Long-term lease liabilities	394,393	379,833
Long-term debt	278,020	275,474
Deferred tax liabilities	7,551	8,864
Other liabilities	2,711	3,977
Provisions	3,565	2,626
Total non-current liabilities	690,762	674,940
Total liabilities	875,182	847,187
Shareholders' equity:		
Common shares	313,829	321,752
Contributed surplus	10,376	6,877
Deficit	(228,315)	(258,768)
Currency translation reserve	(141)	(141)
Total shareholders' equity	95,749	69,720
Total liabilities and shareholders' equity	\$ 970,931	\$ 916,907