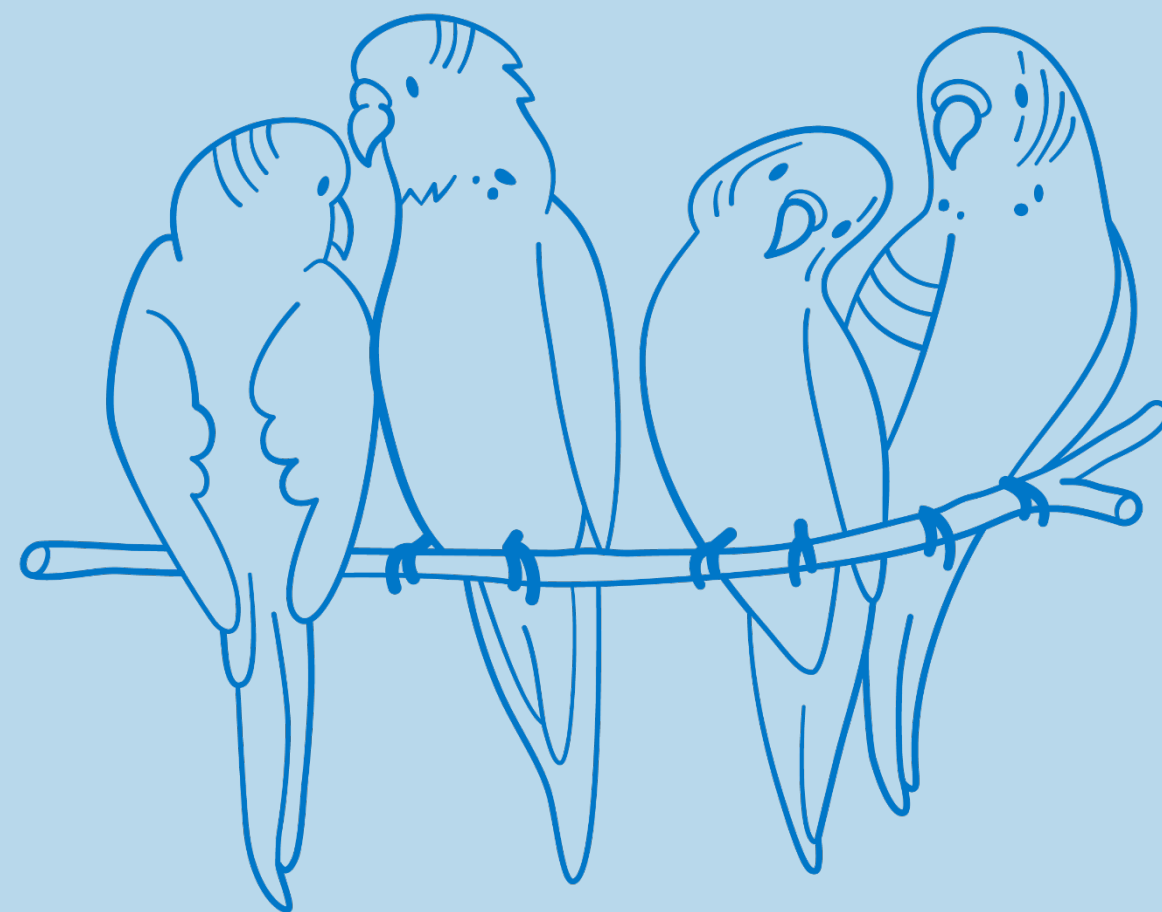


Q3 2023 Financial & Operating Review

For 13 week period ended Sep. 30, 2023



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 ("AIF") dated March 6, 2023, which can be accessed under our profile on SEDAR+ at www.sedarplus.ca. These factors are not intended to represent a complete list of the factors that could affect the Company; however, these factors should be considered carefully.

The forward-looking information contained in this presentation is expressly qualified by this cautionary statement.

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

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". "Adjusted EBITDA Margin is a non-IFRS ratio, calculated by dividing Adjusted EBITDA by total revenue. Reconciliations of these non-IFRS measures (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 third quarter ended September 30, 2023, and AIF dated March 6, 2023, 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



Linda Drysdale
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**

Q3 2023 Highlights



+4%

**Same-Store Sales
Growth**

(basket +4.0%; traffic +0.2%)¹

8

**New Store
Openings**

(22 year-to-date)

+7%

**Revenue
Growth**

(to \$262 million)

11

**Renovations, Expansions
or Relocations**

(29 year-to-date)

\$57M

**Adjusted
EBITDA**

(21.8% of revenue)

GTA DC

**Officially
Open**

(670K sq. ft.)

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 and Non-IFRS Ratios” and the Appendix for a reconciliation of certain non-IFRS measures and ratios.

Looking Ahead

1 Expand Our Store Network

- Open 35-40 new stores in 2023
- Selecting locations for 2024 & beyond
- 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
- 30-35 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 transition underway

Q3 2023 Key Financial Metrics

	Q3 2023	vs. PY ²	Drivers
System-Wide Sales	\$357.2	+7.7%	• Solid SSSG, 38 new stores in last 12 months
Same-Store Sales Growth	+4.2%	---	• Basket ¹ +4.0% and Traffic ¹ +0.2%
Revenue	\$262.3	+7.2%	• In-line with growth in system-wide sales
Gross Margin	33.3%	(490 bps)	• (310 bps) excluding supply chain transformation costs due to lapping on \$1.8M duty recovery, foreign exchange, unfavourable products margins and higher discounts
Adjusted EBITDA	\$57.2	+0.4%	• Top-line growth, and SG&A expense leverage, partially offset by lower gross margin
Adjusted EBITDA Margin	21.8%	(150 bps)	
Adjusted Net Income	\$28.2	(8.2%)	• Adjusted EBITDA growth offset by an increase in interest expense related to higher borrowing rates and greater depreciation expense
Adj. Net Income per Diluted Share	\$0.39	(9.3%)	
Net Income	\$18.0	(33.4%)	

¹Basket refers to same-store average spend/transaction growth, traffic refers to same-store transaction growth. ² PY refers to Q3 2022.

Note: All figures in millions, except per share amounts. SSSG = same-store-sales growth. Adjusted EBITDA Margin is a non-IFRS ratio, calculated by dividing Adjusted EBITDA by total revenue. Adjusted Net Income and Adjusted Net Income per Diluted Share are non-IFRS measures and system-wide sales (SWS) is a supplementary financial measure. Please see “Disclaimers – Non-IFRS and Supplementary Financial Measures and Non-IFRS Ratios” and the Appendix for a reconciliation of certain non-IFRS measures and ratios.

Q3 2023 Key Financial Metrics



Cash

\$11.3M

plus \$130M revolver capacity

Free Cash Flow

\$18.1M

vs. \$19.9M in Q3 2022

Long-term Debt

\$297.4M

(12%) vs. Q3 2022

Net Leverage Ratio¹

2.2x

in-line with Q2 2023

Inventory

\$135.0M

(1%) vs. Q3 2022

Net Capital Expenditures

\$13.4M

\$40.9M year-to-date

¹Net 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 Non-IFRS Ratios” and the Appendix for a reconciliation of certain non-IFRS measures (except for Net Capital Expenditures).

2023 Outlook



Same-Store Sales Growth

New Stores Openings

Revenue

Adjusted EBITDA

Adjusted Net Income
per Diluted Share

Net Capital Expenditures

Updated

Prior

+5.5-6.6%

+7-10%

35-40

40-50

\$1,055-1,065M

\$1,050-1,075M

\$230-233M

\$230-237M

\$1.60-1.63

\$1.60-1.66

\$60M

\$60M

Appendix



Reconciliation of Adjusted EBITDA

	Quarters Ended	
	Sep. 30, 2023 (13 weeks)	Oct. 1, 2022 (13 weeks)
Net income	\$17,976	\$26,986
Depreciation & amortization	14,187	9,595
Interest expense, net	8,128	5,508
Income taxes expense	7,860	10,068
EBITDA	48,151	52,157
<i>Adjustments to EBITDA:</i>		
IT transformation costs ⁽¹⁾	1,294	1,252
Business transformation costs ⁽²⁾	3,124	834
Other professional fees ⁽³⁾	167	163
Share-based compensation ⁽⁴⁾	1,025	1,799
Loss (gain) on foreign exchange ⁽⁵⁾	246	832
Investment in associate ⁽⁶⁾	3,160	(83)
Adjusted EBITDA	\$57,167	\$56,954
Adjusted EBITDA Margin (% of revenue)	21.8%	23.3%

- (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) Represents expenses associated to supply chain transformation initiatives such as duplicative warehousing and distribution costs, implementation costs associated with new information technology systems and other transition costs incurred during the transition to a new distribution centre. The expenses included in cost of sales in Q3 2023 and YTD 2023 were \$2.1 million and \$2.6 million, respectively (Q3 2022 and YTD 2022 – \$nil). The expenses included in selling, general, and administrative expenses were \$1.0 million and \$3.1 million in Q3 2023 and YTD 2023, respectively (Q3 2022 and YTD 2022 – \$0.8 million and \$1.2 million, respectively).
- (3) Professional fees primarily incurred with respect to: (i) the Canada Revenue Agency's ("CRA") examination of the Company's Canadian tax filings for the 2016 fiscal year and in Q3 2023 for the 2018 fiscal year; (ii) acquisition and integration costs incurred in relation to Chico in Fiscal 2022; and (iii) professional fees incurred with respect to the secondary offering of the Company's common shares completed by its principal shareholders on a bought deal basis on June 1, 2023 (the "2023 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 foreign exchange gains and losses.
- (6) Represents the Company's share of loss from associate of \$3.2 million and \$3.4 million for Q3 2023 and YTD 2023, respectively (Q3 2022 and YTD 2022 – \$0.2 million and \$0.3 million, respectively) and (gain) or loss on the fair value of the related call option for Q3 2023 and YTD 2023 of \$nil and \$1.3 million, respectively (Q3 2022 and YTD 2022 – \$(0.3) million and \$(0.5) million, respectively).

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 non-IFRS measure and Adjusted EBITDA Margin is a non-IFRS ratio and are 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	
	Sep. 30, 2023 (13 weeks)	Oct. 1, 2022 (13 weeks)
Net income	\$17,976	\$26,986
<i>Adjustments to Net Income:</i>		
IT transformation costs ⁽¹⁾	1,294	1,252
Business transformation costs ⁽²⁾	6,704	834
Other professional fees ⁽³⁾	167	163
Share-based compensation ⁽⁴⁾	1,025	1,799
Loss (gain) on foreign exchange ⁽⁵⁾	246	832
Investment in associate ⁽⁶⁾	3,160	(83)
Tax effect of adjustments to net income	(2,350)	(1,034)
Adjusted Net Income	\$28,222	\$30,749
Adjusted Net Income per Diluted Share	\$0.39	\$0.43

- (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) Represents expenses associated to supply chain transformation initiatives such as duplicative warehousing and distribution costs, implementation costs associated with new information technology systems, and other transition costs incurred during the transition to a new distribution centre. 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 Q3 2023 and YTD 2023 were \$4.6 million and \$5.1 million, respectively (Q3 2022 and YTD 2022 – \$nil). The expenses included in selling, general, and administrative expenses were \$1.0 million and \$3.1 million in Q3 2023 and YTD 2023, respectively (Q3 2022 and YTD 2022 – \$0.8 million and \$1.2 million, respectively). The interest expense on the lease liability in Q3 2023 and YTD 2023 was \$1.0 million (Q3 2022 and YTD 2022 – \$nil).
- (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 and in Q3 2023 for the 2018 fiscal year; (ii) acquisition and integration costs incurred in relation to Chico in Fiscal 2022; and (iii) professional fees incurred with respect to the 2023 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 foreign exchange gains and losses.
- (6) Represents the Company's share of loss from associate of \$3.2 million and \$3.4 million for Q3 2023 and YTD 2023, respectively (Q3 2022 and YTD 2022 – \$0.2 million and \$0.3 million, respectively) and (gain) or loss on the fair value of the related call option for Q3 2023 and YTD 2023 of \$nil and \$1.3 million, respectively (Q3 2022 and YTD 2022 – \$(0.3) million and \$(0.5) million, respectively).

Notes: All figures in thousands; These non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective.

Adjusted Net Income and Adjusted Net Income per Diluted Shares are non-IFRS measures and are 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	
	Sep. 30, 2023 (13 weeks)	Oct. 1, 2022 (13 weeks)
Cash provided by operating activities	\$34,444	33,824
Cash (used in) provided by investing activities	(3,448)	1,638
Repayment of principal on lease liabilities	(8,210)	(12,026)
Interest paid on lease liabilities	(4,554)	(2,970)
Notes receivables	(157)	(597)
Free Cash Flow	\$18,075	\$19,869

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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