Q3 2021 Financial & Operating Review

For 13 weeks ended October 2, 2021

Disclaimers

Forward-Looking Information

This presentation contains “forward-looking information” and “forward-looking statements” (collectively, “forward-looking information”) within the meaning of applicable securities laws. Forward-looking information may relate to our future financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, operations, financial results, plans and objectives. Particularly, information regarding the Company’s expectations of future results, performance, achievements, prospects or opportunities or the markets in which the Company operates is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “targets”, “expects” or “does not expect”, “is expected”, “an opportunity exists”, “budget”, “scheduled”, “estimates”, “outlook”, “forecasts”, “projection”, “prospects”, “strategy”, “intends”, “anticipates”, “does not anticipate”, “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might”, “will”, “will be taken”, “occur” or “be achieved”. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events or circumstances.

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

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

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

Non-IFRS and Industry Metrics

This presentation makes reference to certain non-International Financial Reporting Standards (“IFRS”) measures, namely “Adjusted EBITDA”, “Adjusted Net Income” and “Free Cash Flow. These measures are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. This presentation also makes reference to certain operating metrics that are commonly used in the retail industry, including “system-wide sales” and “same-store sales growth”. These non-IFRS measures and retail industry operating metrics are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures and such retail industry metrics in the evaluation of issuers. Our management uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and to determine components of management compensation. Please refer to the Appendix to this presentation for the reconciliation of Adjusted EDITDA, Adjusted Net Income and Free Cash Flow presented by the Company to the most directly comparable IFRS measure.

Today's Presenters

Richard Maltsbarger

President & Chief Executive Officer

Jim Grady

Chief Financial Officer

Our Mission

To be Canada's preferred pet retailer delivering the products, care, expertise, and memorable moments that devoted pet lovers want… ***locally in stores and everywhere online***

Our Long-Term Growth Formula

1 Expand Our Store Network

Opportunity to grow store count to 1,200+

+

2 Drive Same-Store Sales Growth

Build on proven strategies & growing digital channels

+

3 Enhance Operating Margins

Leverage investments in modernizing systems

Underpinned by the Resilient & Growing Canadian Pet Industry

Q3 2021 Highlights

+20.3%
Same-Store Sales Growth
(+32.7% 2-yr stack)

+39.4%
Adjusted EBITDA Growth
(to $50.7M)

$0.39
Adj. Net Income/ Diluted Share

6
New Stores (18 YTD)

Click-and-Collect Now Live in All Stores

Initiated Quarterly Dividend at $0.01/Share

Note: Adjusted EBITDA and Adjusted Net Income are non-IFRS measures. Please see Appendix for a reconciliation of these metrics.

petvalu Paulmac's Pets bosley's Tisol Total Pet

Looking Ahead

1 Expand Our Store Network

- ✓ On track to open 28-30 new stores in 2021
- ✓ 2022 new store pipeline filled
- ✓ Opportunity to grow to 1,200+ stores over the long-term

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2 Drive Same-Store Sales Growth

- ✓ Enhancing digital experiences through website & order management platform upgrades
- ✓ Solid core & seasonal inventory position ahead of holiday season
- ✓ Updated "Expert Level" training
- ✓ *Love Lives Here* brand campaign
- ✓ 23-25 renovations, expansions or relocations in 2021

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3 Enhance Operating Margins

- ✓ Continuing investments to drive long-term growth and leverage
- ✓ Higher human capital investments into key talent
- ✓ Supply chain upgrades, starting in GTA

Q3 2021 Key Financial Metrics

	Q3 2021	vs. PY	Drivers
System-Wide Sales	**$258.6**	+24.5%	• **Strong SSSG and 30 net new stores in LTM**
Same-Store Sales Growth	**+20.3%**	nm	• **Traffic* +12.9% and basket* +6.6%**
2-yr Same-Store Sales Growth	*+32.7%*	*nm*	
Revenue	**$200.7**	25.6%	• **Growth in-line with system-wide sales**
Gross Margin	**39.0%**	+270 bps	• **FX, fixed cost leverage and lower discounts**
Adjusted EBITDA	**$50.7**	+39.4%	• **Leverage despite higher compensation costs, IT expenses and advertising**
Adjusted EBITDA Margin	**25.2%**	+250 bps	
Adjusted Net Income	**$27.7**	180.4%	• **Improved flow-through as well as lower interest expense**
Adj. Net Income/Diluted Share	**$0.39**	nm	

*Traffic refers to same-store transaction growth, basket refers to same-store average spend/transaction.
Note: All figures in millions, except per share amounts, which uses fully diluted share; nm = not meaningful.

Q3 2021 Key Financial Metrics

Cash

$23.3M

plus $130M available on revolver

Net Leverage Ratio[1]

2.4x

down from 2.9x in Q2

Free Cash Flow

$46.8M

+133% vs. Q3 2020

Inventory

$88.1M

elevated safety stock levels since Q4 2020

Long-term Debt

$347.4M

down $42M from Q2

Net Capital Expenditures[2]

$11.7M (YTD)

on pace for ~$20M in 2021

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

2021 Guidance

	Updated Guidance	Prior Guidance
SSSG[1]	>15%	>10%
New Stores	28-30	25-30
Revenue	~$765M	~$730M
Adjusted EBITDA	~$177M	~$158M
Adjusted Net Income *(Adjusted Net Income/Diluted Share)*	~$69M *(~$0.97/share)*	~$56M *(~$0.78/share)*
Capital Expenditures[2]	~$20M	~$20M

[1] SSSG = Same-Store Sales Growth
[2] Net of (i) proceeds on disposal of property and equipment, and (ii) tenant allowances

Thank You

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Appendix

Reconciliation of Adjusted EBITDA

	13 weeks ended	
	Oct. 2, 2021	**Sep. 26, 2020**
Net income	$24,349	$8,699
Depreciation & amortization	8,434	7,874
Interest expense, net	4,492	15,011
Income taxes expense	9,751	3,479
EBITDA	**47,026**	**35,063**
Adjustments to EBITDA		
Management fees(1)	—	284
IT transformation costs(2)	1,239	1,746
IPO readiness and separation costs(3)	709	1,910
Business transformation costs(4)	205	286
COVID-19 pandemic(5)	—	107
Other professional fees(6)	80	—
Share-based compensation(7)	1,023	476
Asset impairments(8)	17	—
Loss (gain) on foreign exchange(9)	369	(164)
Pro forma costs(10)	—	(3,372)
Adjusted EBITDA	**$50,668**	**$36,336**

(1) Represents management fees paid to entities affiliated with Roark Capital Management, LLC ("Roark"). Concurrent with the closing of Pet Valu Holdings Ltd.'s (the "Company") initial public offering (the "Offering"), the Company terminated the management agreement with Roark.
(2) Represents discrete, project-based implementation costs associated with new information technology systems and discrete SaaS arrangements for transformational initiatives supporting merchandise planning, inventory and order management, e-commerce and omni-channel capabilities, customer relationship management and other key processes.
(3) Represents expenses incurred related to the following: (i) consulting, legal and accounting fees for projects and process improvements incurred in the preparation of the Offering and the legal restructuring to separate the Canadian operations of Pet Valu Holdings Ltd. (prior to the distribution of its U.S. operations to its shareholder, referred to as the "Group"); (ii) retention bonuses for certain key management personnel in connection with the Offering; and (iii) professional fees incurred with respect to the Secondary Offering of the Company’s common shares completed on September 28, 2021. In YTD 2021, the Company recorded share-based compensation expense in relation to the retention bonuses of $1.2 million which is included in SG&A. This amount was previously recorded as bonus expense and included in SG&A in Fiscal 2020 and reclassified to share-based compensation in YTD 2021 as a result of being paid through the issuance of common shares in lieu of cash.
(4) Predominately represents severance, recruitment, and consulting expenses associated to the strategic reorganization in the senior leadership team and key functional departments as part of the Company's separation from the Group.
(5) Represents non-recurring costs incurred in Fiscal 2020 in response to the COVID-19 pandemic including personal protective equipment for Company employees, signage for the stores, short-term increased hourly pay and one-time bonuses for store associates and warehouse staff awarded in the second quarter of 2020, and professional fees associated with planning key initiatives for cash flow management and the negotiation of rent deferrals and abatements with landlords and franchisees.
(6) Professional fees incurred with respect to the Canada Revenue Agency’s (“CRA”) examination of the Company’s Canadian tax filings for the 2016 fiscal year.
(7) Represents share-based compensation in respect of our legacy stock option compensation plan, long-term incentive plan, and deferred share unit plan. Share-based compensation for YTD 2021 also includes expense in relation to retention bonuses of $1.2 million which were paid through the issuance of common shares in lieu of cash. This amount was previously recorded as bonus expense and included in SG&A in Fiscal 2020.
(8) Non-cash impairment charge taken against certain right-of-use assets for corporate-owned stores.
(9) Represents foreign exchange gains and losses.
(10) Represents pro forma costs to normalize for on-going expenses previously allocated to entities forming part of the Group, specifically operations in the United States, which are no longer affiliated with the Company, for Fiscal 2020. These costs represent compensation costs associated with supply chain, merchandising, distribution and other corporate functions, as well as information technology costs. Approximately 18% of the pro forma costs relate to cost of sales and 82% to SG&A. Beginning in Q1 2021, our on-going expenses are reported directly in cost of sales and SG&A, as those costs are now directly incurred by the Company.

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

	13 weeks ended	
	Oct. 2, 2021	**Sep. 26, 2020**
Net income	**$24,349**	**$8,699**
Adjustments to Net Income		
Management fees(1)	—	284
IT transformation costs(2)	1,239	1,746
IPO readiness and separation costs(3)	709	1,910
Business transformation costs(4)	205	286
COVID-19 pandemic(5)	—	107
Other professional fees(6)	80	—
Share-based compensation(7)	1,023	476
Asset impairments(8)	17	—
Loss (gain) on foreign exchange(9)	369	(164)
Pro forma costs(10)	—	(3,372)
Tax effect of adj. to net income	(304)	(98)
Adjusted Net Income	**$27,687**	**$9,874**

(1) Represents management fees paid to entities affiliated with Roark. Concurrent with the closing of the Offering, the Company terminated the management agreement with Roark.
(2) Represents discrete, project-based implementation costs associated with new information technology systems and discrete SaaS arrangements for transformational initiatives supporting merchandise planning, inventory and order management, e-commerce and omni-channel capabilities, customer relationship management and other key processes.
(3) Represents expenses incurred related to the following: (i) consulting, legal and accounting fees for projects and process improvements incurred in the preparation of the Offering and the legal restructuring to separate the Company from the Group; (ii) retention bonuses for certain key management personnel in connection with the Offering; and (iii) professional fees incurred with respect to the Secondary Offering. In YTD 2021, the Company recorded share-based compensation expense in relation to the retention bonuses of $1.2 million which is included in SG&A. This amount was previously recorded as bonus expense and included in SG&A in Fiscal 2020 and reclassified to share-based compensation in YTD 2021 as a result of being paid through the issuance of common shares in lieu of cash.
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(6) Professional fees incurred with respect to the CRA's examination of the Company's Canadian tax filings for the 2016 fiscal year.
(7) Represents share-based compensation in respect of our legacy stock option compensation plan, long-term incentive plan, and deferred share unit plan. Share-based compensation for YTD 2021 also includes expense in relation to retention bonuses of $1.2 million which were paid through the issuance of common shares in lieu of cash. This amount was previously recorded as bonus expense and included in SG&A in Fiscal 2020.
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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

	13 weeks ended	
	Oct. 2, 2021	**Sep. 26, 2020**
Cash provided by operating activities	$56,441	$29,271
Cash provided by investing activities	4,575	4,227
Repayment of principal on lease liabilities	(11,361)	(10,204)
Interest paid on lease liabilities	(2,888)	(2,855)
Notes receivables	(16)	(369)
Free Cash Flow	**$46,751**	**$20,070**

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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.