petvalu

Paulmac's Pets

bosley's BY PET VALU

Tisol Pet Nutrition & Supply Stores

Total Pet

Chico

Q1 2022 Financial & Operating Review

For 13 weeks ended April 2, 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 2022 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 8, 2022, 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-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" and "Free Cash Flow" and non-IFRS ratios, including "Adjusted EBITDA Margin". Reconciliations of these non-IFRS measures and ratios 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" and "Same-store sales growth". 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 the MD&A for the first quarter ended April 2, 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.

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 + **2 Drive Same-Store Sales Growth** + **3 Enhance Operating Margins**

Opportunity to grow store count to 1,200+

Build on proven strategies & growing digital channels

Leverage investments in modernizing systems

Underpinned by the Resilient & Growing Canadian Pet Industry

Q1 2022 Highlights

+22.8%
Same-Store Sales Growth
(traffic +18%; basket +4%)[1]

$213M
Revenue
(+24.9%[2] vs. Q1 2021)

+29.9%
Adjusted EBITDA Growth
(to $46.8M)

6
New Stores Openings
(30 in last 12 months)

66
Chico stores acquired
(now operate in all 10 provinces)

>2M
Loyalty members
(>70% of sales)

[1] Traffic refers to same-store transaction growth, basket refers to same-store average spend per transaction. [2] Excludes impact of Chico.
Note: Same-Store Sales Growth is a supplementary financial measure. Adjusted EBITDA is a non-IFRS measure. Refer to "Disclaimers – Non-IFRS and Supplementary Financial Measures" and the Appendix for a reconciliation of non-IFRS measures.

Looking Ahead

1 Expand Our Store Network

- ✓ Open 35-45 new stores in 2022
- ✓ Now filling new store pipeline for 2023 and 2024
- ✓ Opportunity for share gains due to available white space in both existing and new markets
- ✓ Strong performance of 2020 & 2021 store classes underscores quality of site selection model and strong store economics

\+

2 Drive Same-Store Sales Growth

- ✓ Optimizing omni-channel process and experience to drive efficiency & effectiveness
- ✓ Improving marketing through our growing loyalty platform
- ✓ Elevating levels of safety stock in core assortment and advanced ordering of seasonal product
- ✓ 20-30 renovations, expansions or relocations in 2022

\+

3 Enhance Operating Margins

- ✓ Navigating confluence of inflationary pressures in fuel, freight and vendor product costs
- ✓ Higher human capital and supply chain investments in 2022 to drive continued growth and long-term leverage

Note: 2022 New Stores range of 35-45 excludes the 66 Chico stores acquired on February 25, 2022.

Q1 2022 Key Financial Metrics

	Q1 2022	vs. PY	Drivers
System-Wide Sales	$285.9	+25.8%[1]	• Strong SSSG and 30 net new stores in LTM, ending the quarter with 705 locations
Same-Store Sales Growth	+22.8%	nm	• Traffic[2] +18.4% and basket[2] +3.7%
Revenue	$213.3	+24.9%[1]	• Growth in-line with system-wide sales
Gross Margin	36.1%	+100 bps	• Favourable product margins, partially offset by higher freight costs & wholesale shipments
Adjusted EBITDA	$46.8	+29.9%	• Expense leverage through store productivity offsetting public company costs
Adjusted EBITDA Margin	*21.9%*	*+70 bps*	
Net Income	$22.6	+564%	
Adjusted Net Income	$24.8	+240%	• Improved flow-through as well as lower interest expense
Adj. Net Income per Diluted Share	*$0.35*	*nm*	

[1] Excludes impact of Chico stores. [2] 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 count; nm = not meaningful. 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 non-IFRS measures and ratios.

Q1 2022 Key Financial Metrics

Cash

$30.2M

plus $130M available on revolver

Net Leverage Ratio[1]

2.1x

consistent with Q4 2021; down from 2.9x in Q2 2021

Free Cash Flow

($15.1M)

including the Chico acquisition

Inventory

$100.5M

+18% vs. Q1 2021

Long-term Debt

$343.6M

Net Capital Expenditures[2]

$5.2M

[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 "Disclaimers – Non-IFRS and Supplementary Financial Measures" and the Appendix for a reconciliation of non-IFRS measures.

2022 Outlook

	Updated	Prior
SSSG[1]	+9-12%	+6-9%
New Stores	35-45	30-45
Revenue	$870-895M	$845-870M
Adjusted EBITDA	$191-198M	$187-194M
Adjusted Net Income *per Diluted Share*	$1.37-1.44	$1.37-1.44
Capital Expenditures[2]	$35-40M	$20-25M

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

Thank You

Contact Us:

investors@petvalu.com

(289) 806-4559

Reconciliation of Adjusted EBITDA

	Quarters Ended	
	Apr. 2, 2022 (13 weeks)	Apr. 3, 2021 (13 weeks)
Net income	$22,621	$3,409
Depreciation & amortization	8,876	8,089
Interest expense, net	3,981	17,997
Income taxes expense	8,552	1,314
EBITDA	**44,030**	**30,809**
Adjustments to EBITDA:		
Management fees(1)	—	240
IT transformation costs(2)	1,070	1,252
IPO readiness and separation costs(3)	—	1,329
Business transformation costs(4)	—	619
Other professional fees(5)	648	1,188
Share-based compensation(6)	1,027	674
Loss (gain) on foreign exchange(7)	(21)	(98)
Share of loss from associate	28	—
Adjusted EBITDA	**$46,782**	**$36,013**
Adjusted EBITDA Margin (% of revenue)	**21.9%**	**21.2%**

(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 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.
(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"); and (ii) retention bonuses for certain key management personnel in connection with the Offering.
(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) Professional fees 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 (ii) acquisition costs incurred in relation to Chico in Q1 2022.
(6) Represents share-based compensation in respect of our legacy stock option compensation plan, long-term incentive plan, and deferred share unit plan.
(7) Represents foreign exchange gains and losses.

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	
	Apr. 2, 2022 (13 weeks)	Apr. 3, 2021 (13 weeks)
Net income	**$22,621**	**$3,409**
Adjustments to Net Income		
Management fees[1]	—	240
IT transformation costs[2]	1,070	1,252
IPO readiness and separation costs[3]	—	1,329
Business transformation costs[4]	—	619
Other professional fees[5]	648	1,188
Share-based compensation[6]	1,027	674
Loss (gain) on foreign exchange[7]	(21)	(98)
Share of loss from associate	28	—
Tax effect of adj. to net income	(554)	(1,321)
Adjusted Net Income	**$24,819**	**$7,292**
Adjusted Net Income per Diluted Share[8]	**$0.35**	**$0.13**

(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; and (ii) retention bonuses for certain key management personnel in connection with the Offering.
(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) Professional fees incurred with respect to: (i) the CRA's examination of the Company's Canadian tax filings for the 2016 fiscal year; and (ii) acquisition costs incurred in relation to Chico in Q1 2022.
(6) Represents share-based compensation in respect of our legacy stock option compensation plan, long-term incentive plan, and deferred share unit plan.
(7) Represents foreign exchange gains and losses.
(8) Adjusted Net Income per Diluted Share for Q1 2021 is calculated on a pro-forma basis using the weighted average common shares outstanding based on the capital reorganization and the legacy option plan immediately prior to the Offering.

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 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	
	Apr. 2, 2022 (13 weeks)	**Apr. 3, 2021 (13 weeks)**
Cash provided by operating activities	$9,471	($3,042)
Cash (used in) provided by investing activities	(9,718)	3,559
Repayment of principal on lease liabilities	(11,769)	(12,186)
Interest paid on lease liabilities	(2,907)	(2,880)
Notes receivables	(190)	(60)
Free Cash Flow	**($15,113)**	**($14,609)**

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.