Pet Valu Reports Second Quarter Results and Provides 2021 Outlook

August 12, 2021

Expecting same-store sales growth above 10% in 2021, following strong Q2 performance of 28%

MARKHAM, ON, Aug. 12, 2021 /CNW/ - 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 second quarter ended July 3, 2021.

Second Quarter Highlights

- System-wide sales[1] grew 33.4% to $231.5 million, driven primarily by same-store sales growth[1] of 28.4% versus the second quarter last year. On a two-year basis, same-store sales growth[1] was 24.5%, above the Q1 trend of 21.5%.
- The Company opened 7 new stores in Q2 and has increased its store network by 27 stores over the last 12 months.
- Revenue increased 38.4% to $182.2 million while Adjusted EBITDA[1] grew 52.6% to $42.3 million, representing 23.2% of revenue, up 210 basis points versus the second quarter last year.
- Net income was $44.3 million, up from $0.3 million in the second quarter last year.
- Adjusted Net Income[1] was $8.7 million or $0.12 per diluted share.

2021 Outlook

- The Company expects revenue of about $730 million, supported by same-store sales growth slightly above 10%, Adjusted EBITDA of about $158 million and Adjusted Net Income of about $56 million, or $0.78 per share.

"We are thrilled to have completed our IPO in June, which was an important milestone for our company, as we continue our journey as Canada's preferred pet retailer," stated Richard Maltsbarger, President and Chief Executive Officer. "Our strong performance this quarter extended across all financial metrics and reflected the success of our brand, compassionate and knowledgeable service, unique store experiences, compelling product offerings and enhanced omni-channel capabilities.

"We achieved these results despite challenging pandemic-related operating restrictions, when more than half of our stores were restricted to curbside only shopping for 10 weeks during the quarter," continued Mr. Maltsbarger. "Looking ahead, our unique and flexible business model positions our franchisees and us to drive sustainable, profitable growth."

Financial Results for the Second Quarter Fiscal 2021

All comparative figures below are for the 13-week period ended July 3, 2021, compared to the 13-week period ended June 27, 2020.

Revenue increased by 38.4% to $182.2 million, compared to $131.6 million in the second quarter last year. The increase in revenue was driven by growth in retail sales, as well as franchise and other revenues.

Same-store sales growth[1] was 28.4% in Q2 2021 primarily driven by a 25.6% increase in same-store transactions and a 2.2% increase in same-store average spend per transaction. This is compared to same-store sales growth of (3.9)% in Q2 2020, when the business experienced significant disruptions during the onset of the COVID pandemic.

Gross profit increased to $67.2 million, compared to $43.8 million in the second quarter last year. Gross profit margin was 36.9% in Q2 2021 compared to 33.3% in Q2 2020. The gross profit margin increase of 360 basis points was primarily driven by: (i) leverage gained on fixed costs due to higher revenue; (ii) the favourable impact of the stronger Canadian dollar on products sourced outside Canada and denominated in U.S. dollars; and (iii) the lapping of temporary COVID relief provided to franchisees and higher discounts to employees last year. The favourable impact of these items was partially offset by the absorption of incremental freight costs due to global supply chain issues, distribution costs driven by e-commerce sales, and incremental wages in our warehouses to support increased demand and COVID-related absences.

Selling, general and administrative ("SG&A") expenses increased by 49.4% to $40.6 million, compared to $27.2 million in the second quarter last year. SG&A expenses were 22.3% of revenue compared to 20.6% of revenue in the second quarter last year. The increase of $13.4 million in SG&A expenses was primarily due to: (i) increased compensation costs primarily as a result of the Company operating separately from the Group (as defined herein), headcount investments related to strategic initiatives, and the completion of the initial public offering (the "Offering"); (ii) higher advertising expenses as the Company laps reduced activity in Q2 2020; and (iii) higher professional fees associated with the Offering and separation activities.

Adjusted EBITDA[1] was $42.3 million, or 23.2% of revenue, compared to $27.7 million, or 21.1% of revenue, in the second quarter last year.

Net interest expense was $20.0 million in Q2 2021, an increase of $3.5 million, or 21.5%, compared to $16.5 million in Q2 2020. The increase was primarily driven by the write-off of unamortized deferred financing costs on the 2016 Credit Facilities of $5.7 million, partially offset by lower interest expense on the 2016 Credit Facilities resulting from lower interest rates and total debt outstanding.

Income taxes were $5.2 million in Q2 2021 compared to $0.1 million in Q2 2020, an increase of $5.1 million year over year. The increase in income taxes was primarily the result of higher taxable earnings in Q2 2021. The effective income tax rate was 10.5% in Q2 2021 compared to 28.6% in the prior year. The Q2 2021 effective tax rate is lower than the blended statutory rate of 26.5% primarily due to favourable tax treatments of foreign exchange gains related to the repayment of the 2016 Term Loans.

Net income was $44.3 million, an increase of $44.0 million from net income of $0.3 million in the second quarter last year. In addition to the factors described above, the change in net income is also explained by a higher gain on foreign exchange of $42.6 million from the repayment of the 2016 Term Loans and the settlement of a foreign exchange forward contract.

Adjusted Net Income[1] increased by $6.1 million to $8.7 million in Q2 2021, compared to $2.6 million in Q2 2020. Adjusted Net Income as a percentage of revenue was 4.8% in Q2 2021 and 2.0% in Q2 2020.

Adjusted Net Income per Diluted Share[1] was $0.12 compared to $0.05 in the second quarter last year.

Cash and cash equivalents at the end of the second quarter totaled $21.5 million.

Free Cash Flow[1] amounted to $18.9 million in Q2 2021.

Inventory at end of the second quarter of 2021 was $86.8 million.

(1) Refer to "Non-IFRS Measures and Industry Metrics" and "Selected Consolidated Financial Information" below, including for a reconciliation of the non-IFRS measures used in this release to the most comparable IFRS measures. Also refer to sections entitled "How We Assess the Performance of our Business", "Non-IFRS Measures and Industry Metrics " and "Selected Consolidated Financial Information" in the Company's Management's Discussion and Analysis ("MD&A") for the second quarter ended July 3, 2021, for further details concerning same-store sales growth, Adjusted EBITDA, Adjusted Net Income and Adjusted Net Income per Diluted Share and Free Cash Flow including definitions and reconciliations to the relevant reported IFRS measure.

2021 Outlook

Based on year-to-date performance, and expectations for the balance of the year, the Company expects to achieve the following for the full year 2021:

- Revenue of approximately $730 million, supported by same-store sales growth slightly above 10% and 25-30 new store openings. On a two-year basis, same-store sales growth is expected to remain above 20% through the remainder of the year;
- Adjusted EBITDA of approximately $158 million, which includes the impact of incremental public company costs;
- Adjusted Net Income of approximately $56 million or $0.78 per diluted share; and
- Capital expenditures of approximately $20 million.

Since the onset of the COVID-19 pandemic in early 2020, Pet Valu's performance has been significantly impacted by shifts in consumption patterns, various iterations of pandemic-related operating restrictions, and industry-wide supply chain disruptions. While restrictions have eased in recent months, a heightened level of uncertainty remains regarding potential for future disruption in the second half of 2021. The above outlook is based on several assumptions, including, but not limited to, the continued gradual normalization in the industry and operating environment through the remainder of 2021.

Conference Call Details

A conference call to discuss the Company's second quarter results is scheduled for August 12, 2021, at 4:30 p.m. ET. To access Pet Valu's conference call, please dial (833) 950-0062, or (844) 200-6205, (access code: 140927). The conference call will also be webcast live at https://investors.petvalu.com/.

For those unable to participate, a replay of the conference call will be available approximately two hours after the conclusion of the call until August 19, 2021. To access the telephone replay, please dial (929) 458-6194 (access code: 255846). A replay of the webcast will also be available approximately two hours after the conclusion of the call on 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 600 corporate-owned or franchised locations across the country. For more than 40 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. Pet Valu's neighbourhood stores offer more than 7,000 competitively-priced products, including a broad assortment of premium, super premium, holistic and award-winning proprietary brands. To learn more, please visit: www.petvalu.com.

Basis of Presentation - Carve-out Financial Information

Prior to the Offering, the Company was not operating as a stand-alone entity and as a result, the financial information for periods prior to June 30, 2021 are presented on a carve-out basis that includes only legal entities representing the Canadian operations of Pet Valu Holdings Ltd. (referred to as the "Group", prior to the distribution of its U.S. operations to its shareholder). For more information, see the Company's unaudited condensed interim consolidated financial statements and related MD&A for the 13-week and 26-week periods ended July 3, 2021 and June 27, 2020.

Non-IFRS Measures and Industry Metrics

This press release makes reference to certain non-IFRS measures. These measures 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". This press release also makes reference to certain operating metrics that are commonly used in the retail industry, including "System-wide stores", "System-wide sales", "Same-store sales", "Same-store sales growth". These non-IFRS measures and retail industry operating metrics 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 retail industry metrics in the evaluation of issuers. 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. Refer to the MD&A for the second quarter ended July 3, 2021 for further information on non-IFRS measures and industry metrics, 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 of 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. 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 securities laws in Canada. 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 is forward-looking information. As the context requires, this may include certain targets as disclosed in the Company's supplemented PREP prospectus ("Prospectus") dated June 23, 2021, which are based on the factors and assumptions, and subject to the risks, as set out therein and herein. Often but not always, forward-looking information can be identified by the use of forward-looking terminology such as "may", "will", "expect", "believe", "estimate", "plan", "could", "should", "would", "outlook", "forecast", "anticipate", "foresee", "continue" or the negative of these terms or variations of them or similar terminology.

Many factors could cause our 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 of the Company's Prospectus. A copy of the Prospectus and the Company's other publicly filed documents can be accessed under the Company's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

The Company cautions that the list of risk factors and uncertainties described in the Prospectus 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 the forward-looking information and are cautioned not to place undue reliance on such information. The forward-looking information contained in this press release represents our expectations as of the date of this press release (or as the date they are otherwise stated to be made), and are subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws.

SELECTED CONSOLIDATED FINANCIAL INFORMATION
Condensed Interim Consolidated Statements of Income and Comprehensive Income (Loss)

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

	Quarter Ended		**Year to Date Ended**	
	July 3, 2021	**June 27, 2020**	**July 3, 2021**	**June 27, 2020**
	13 weeks	**13 weeks**	**26 weeks**	**26 weeks**
Revenue:				
Retail sales	$ 82,161	$ 61,579	$ 161,805	$ 132,795
Franchise and other revenues	100,021	70,045	190,449	152,446
Total revenue	182,182	131,624	352,254	285,241
Cost of sales	115,022	87,851	225,431	188,044
Gross profit	67,160	43,773	126,823	97,197
Selling, general and administrative expenses	40,603	27,174	77,644	56,110
Total operating income	26,557	16,599	49,179	41,087
Interest expenses, net	19,981	16,452	37,978	33,327
Gain on foreign exchange	(42,936)	(311)	(43,034)	(772)
Income before income taxes	49,512	458	54,235	8,532
Income taxes expense	5,218	131	6,532	2,438
Net income	44,294	327	47,703	6,094
Less:				
Net income attributable to non-controlling interests	1,649	1,908	3,430	3,855
Net income (loss) attributable to the Company	42,645	(1,581)	44,273	2,239

Other comprehensive income (loss), net of tax:				
Currency translation adjustments reclassified to net income	(29,665)	—	(29,665)	—
Currency translation adjustments that may be reclassified to net income, net of tax	11,455	21,583	21,070	(35,469)
Comprehensive income (loss) for the period attributable to the Company	$ 24,435	$ 20,002	$ 35,678	$ (33,230)
Basic net income (loss) per share attributable to the Company	$ 0.61	$ (0.03)	$ 0.63	$ 0.04
Diluted net income (loss) per share attributable to the Company	$ 0.60	$ (0.03)	$ 0.62	$ 0.04

Reconciliation of Net Income to EBITDA and Adjusted EBITDA
(Unaudited, in thousands of Canadian dollars unless otherwise noted)

	Quarter Ended		**Year to Date Ended**	
	July 3, 2021	**June 27, 2020**	**July 3, 2021**	**June 27, 2020**
	13 weeks	**13 weeks**	**26 weeks**	**26 weeks**
Reconciliation of net income to Adjusted EBITDA:				
Net income	$ 44,294	$ 327	$ 47,703	$ 6,094
Depreciation and amortization	8,554	7,771	16,643	15,532
Interest expenses, net	19,981	16,452	37,978	33,327
Income taxes expense	5,218	131	6,532	2,438
EBITDA	**78,047**	**24,681**	**108,856**	**57,391**
Adjustments to EBITDA:				
Management fees(1)	439	569	679	801
Information technology transformation costs(2)	1,305	2,439	2,557	3,905
IPO readiness and separation costs(3)	2,191	420	3,520	1,518
Business transformation costs(4)	1,100	593	1,719	772
COVID-19 pandemic(5)	—	1,597	—	1,724
Other professional fees(6)	275	103	1,463	136
Share-based compensation(7)	1,882	409	2,556	803
Gain on foreign exchange(8)	(42,936)	(311)	(43,034)	(772)
Pro forma costs(9)	—	(2,777)	—	(6,018)
Adjusted EBITDA	**$ 42,303**	**$ 27,723**	**$ 78,316**	**$ 60,260**

Adjusted EBITDA as a percentage of revenue	**23.2 %**	**21.1 %**	**22.2 %**	**21.1 %**

Notes:

(1) Represents management fees paid to entities affiliated with Roark Capital Management, LLC ("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. In Q2 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 Q2 2021 as a result of being paid through the issuance of common shares in lieu of cash.

(4) Predominately represents severance and recruitment 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 CRA's examination of the Company's Canadian tax filings for the 2016 fiscal year.

(7) Represents non-cash, share-based compensation. Q2 2021 includes a reclassification of $1.2 million of retention bonuses to key management personnel previously accrued in Fiscal 2020 to share-based compensation as a result of issuing common shares on the closing of the Offering in lieu of cash.

(8) Represents foreign exchange gains.

(9) 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.

Reconciliation of Net Income to Adjusted Net Income

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

	Quarter Ended		**Year to Date Ended**	
	July 3, 2021	**June 27, 2020**	**July 3, 2021**	**June 27, 2020**
	13 weeks	**13 weeks**	**26 weeks**	**26 weeks**
Reconciliation of net income to Adjusted Net Income:				
Net income	$ 44,294	$ 327	$ 47,703	$ 6,094
Adjustments to net income:				
Management fees(1)	439	569	679	801
Information technology transformation costs(2)	1,305	2,439	2,557	3,905
IPO readiness and separation costs(3)	2,191	420	3,520	1,518
Business transformation costs(4)	1,100	593	1,719	772
COVID-19 pandemic(5)	—	1,597	—	1,724

Other professional fees[6]	275	103	1,463	136
Share-based compensation[7]	1,882	409	2,556	803
Gain on foreign exchange[8]	(42,936)	(311)	(43,034)	(772)
Pro forma costs[9]	—	(2,777)	—	(6,018)
Tax effect of adjustments to net income	145	(800)	(1,176)	(594)
Adjusted Net Income	**$ 8,695**	**$ 2,569**	**$ 15,987**	**$ 8,369**
Adjusted Net Income as a percentage of revenue	**4.8 %**	**2.0 %**	**4.5 %**	**2.9 %**
Adjusted Net Income per Diluted Share[10]	**$ 0.12**	**$ 0.05**	**$ 0.22**	**$ 0.15**

Notes:

(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. In Q2 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 Q2 2021 as a result of being paid through the issuance of common shares in lieu of cash.

(4) Predominately represents severance and recruitment 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 CRA's examination of the Company's Canadian tax filings for the 2016 fiscal year.

(7) Represents non-cash, share-based compensation. Q2 2021 includes a reclassification of $1.2 million of retention bonuses to key management personnel previously accrued in Fiscal 2020 to share-based compensation as a result of issuing common shares on the closing of the Offering in lieu of cash.

(8) Represents foreign exchange gains.

(9) 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.

(10) Adjusted Net Income per Diluted Share for Q2 2020 and YTD 2020 are calculated on a pro-forma basis using the weighted average common shares outstanding based on the capital reorganization and the legacy stock option compensation plan immediately prior to the Offering.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited, in thousands of Canadian dollars)

	Quarter Ended		**Year to Date Ended**	
	July 3, 2021	**June 27, 2020**	**July 3, 2021**	**June 27, 2020**
	13 weeks	**13 weeks**	**26 weeks**	**26 weeks**

Cash provided by (used in):

Operating activities:				
Net income for the period	$ 44,294	$ 327	$ 47,703	$ 6,094
Adjustments for:				
Depreciation and amortization	8,554	7,771	16,643	15,532
Deferred franchise fees	116	125	329	89
Gain on disposal of property and equipment	(297)	(40)	(428)	(75)
Gain on sale of right-of-use assets	(137)	(44)	(176)	(25)
Gain on foreign exchange	(42,936)	(311)	(43,034)	(772)
Share-based compensation expense	22	—	22	—
Interest expenses, net	19,981	16,452	37,978	33,327
Income taxes expense	5,218	131	6,532	2,438
Income taxes paid	(2,464)	—	(7,679)	(2,490)
Change in non-cash operating working capital:				
Accounts receivable	(1,965)	238	(4,603)	3,149
Inventories	(1,444)	3,876	(8,777)	5,644
Prepaid expenses	(352)	(574)	180	(760)
Accounts payable and accrued liabilities	3,079	9,896	(16,063)	31,025
Net cash provided by operating activities	31,669	37,847	28,627	93,176
Financing activities:				
Issuance of common shares, net of transaction costs	295,210	—	295,210	—
Proceeds of 2021 Term Facility	355,000	—	355,000	—
Proceeds of 2021 Revolving Credit Facility	40,000	—	40,000	—
Repayment of 2016 Term Loans	(676,717)	(2,059)	(680,424)	(3,983)
Proceeds of 2016 Revolving Credit Facility	—	—	—	28,112
Interest paid on long-term debt	(13,800)	(14,331)	(36,415)	(29,474)
Repayment of principal on lease liabilities	(11,620)	(10,133)	(23,806)	(20,339)
Interest paid on lease liabilities	(2,881)	(2,675)	(5,761)	(5,331)
Financing costs	(5,672)	—	(6,589)	—
Standby letter of credit commitment fees	(613)	—	(4,303)	—
Net distributions	(2,007)	(3,473)	(16,983)	(13,963)

Net cash used in financing activities	(23,100)	(32,671)	(84,071)	(44,978)
Investing activities:				
Purchases of property and equipment	(6,120)	(1,548)	(10,280)	(3,186)
Purchase of intangible assets	(925)	(429)	(1,133)	(1,075)
Proceeds on disposal of property and equipment	1,639	51	2,203	108
Right-of-use asset initial direct costs	(457)	(152)	(837)	(152)
Tenant allowances	—	299	271	520
Notes receivable	161	141	221	162
Lease receivables	5,901	5434	11,632	10,902
Interest received on lease receivables and other	1,676	1,477	3,357	3,059
Repurchase of franchises	—	(283)	—	(283)
Net cash provided by investing activities	1,875	4,990	5,434	10,055
Effect of exchange rate on cash	(16)	(957)	11	(1,221)
Net (decrease) increase in cash	10,428	9,209	(49,999)	57,032
Cash, beginning of period	11,054	91,660	71,481	43,837
Cash, end of period	**$ 21,482**	**$ 100,869**	**$ 21,482**	**$ 100,869**

Free Cash Flows
(Unaudited, in thousands of Canadian dollars)

	Quarter Ended		**Year to Date Ended**	
	July 3, 2021	**June 27, 2020**	**July 3, 2021**	**June 27, 2020**
	13 weeks	**13 weeks**	**26 weeks**	**26 weeks**
Cash provided by operating activities	$ 31,669	$ 37,847	$ 28,627	$ 93,176
Cash provided by investing activities	1,875	4,990	5,434	10,055
Repayment of principal on lease liabilities	(11,620)	(10,133)	(23,806)	(20,339)
Interest paid on lease liabilities	(2,881)	(2,675)	(5,761)	(5,331)
Notes receivables	(161)	(141)	(221)	(162)
Free Cash Flow	**$ 18,882**	**$ 29,888**	**$ 4,273**	**$ 77,399**

Condensed Interim Consolidated Statements of Financial Position
(Unaudited, in thousands of Canadian dollars)

	As at July 3, 2021	As at January 2, 2021
Assets		
Current assets:		
Cash	$ 21,482	$ 71,481
Accounts and other receivables	17,254	12,629
Inventories, net	86,789	78,012
Prepaid expenses and other assets	10,984	8,585
Current portion of lease receivable	24,323	23,145
Total current assets	160,832	193,852
Non-current assets:		
Lease receivables	102,747	96,743
Right-of-use assets	81,118	84,950
Property and equipment	57,824	55,738
Intangible assets	36,748	36,072
Goodwill	93,101	93,276
Other assets	1,267	1,488
Total non-current assets	372,805	368,267
Total assets	$ 533,637	$ 562,119
Liabilities and Shareholders' Deficit		
Current liabilities:		
Accounts payable and accrued liabilities	$ 70,398	$ 99,954
Income taxes payable	467	1,042
Current portion of deferred franchise fees	944	891
Current portion of lease liabilities	43,914	42,753
Current portion of long-term debt	8,875	7,448
Total current liabilities	124,598	152,088
Non-current liabilities:		
Long-term deferred franchise fees	2,751	2,475

Long-term lease liabilities		174,913		173,906
Long-term debt		380,417		698,912
Deferred tax liabilities		3,145		4,282
Total non-current liabilities		561,226		879,575
Total liabilities		685,824		1,031,663
Shareholders' deficit:				
Common shares		301,991		—
Contributed surplus		22		—
Deficit		(454,009)		—
Currency translation reserve		(191)		—
Group's net investment		—		(588,530)
Non-controlling interests		—		118,986
Total shareholders' deficit		(152,187)		(469,544)
Total liabilities and shareholders' deficit	$	533,637	$	562,119

SOURCE Pet Valu Canada Inc.