

# petvalu<sup>®</sup>

Paulmac's  
Pets<sup>®</sup>

bosley's<sup>®</sup>  
BY PET VALU

Tisol<sup>®</sup>  
Pet Nutrition & Supply Stores

Total Pet

Chico

## Investor Presentation

March 2022



# Disclaimers

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# 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***





# Investment Highlights

**Canada's largest specialty pet retailer,**  
in the resilient & growing pet industry

**Highly flexible, franchise-led operating model**  
with small, adaptable formats to fit local needs

**Compelling and engaging retail experiences**  
through in-store and digital channels

**Local pet authority for Canadian pet lovers,**  
led by an experienced management team

# We are Canada's Largest Pet Specialty Retailer

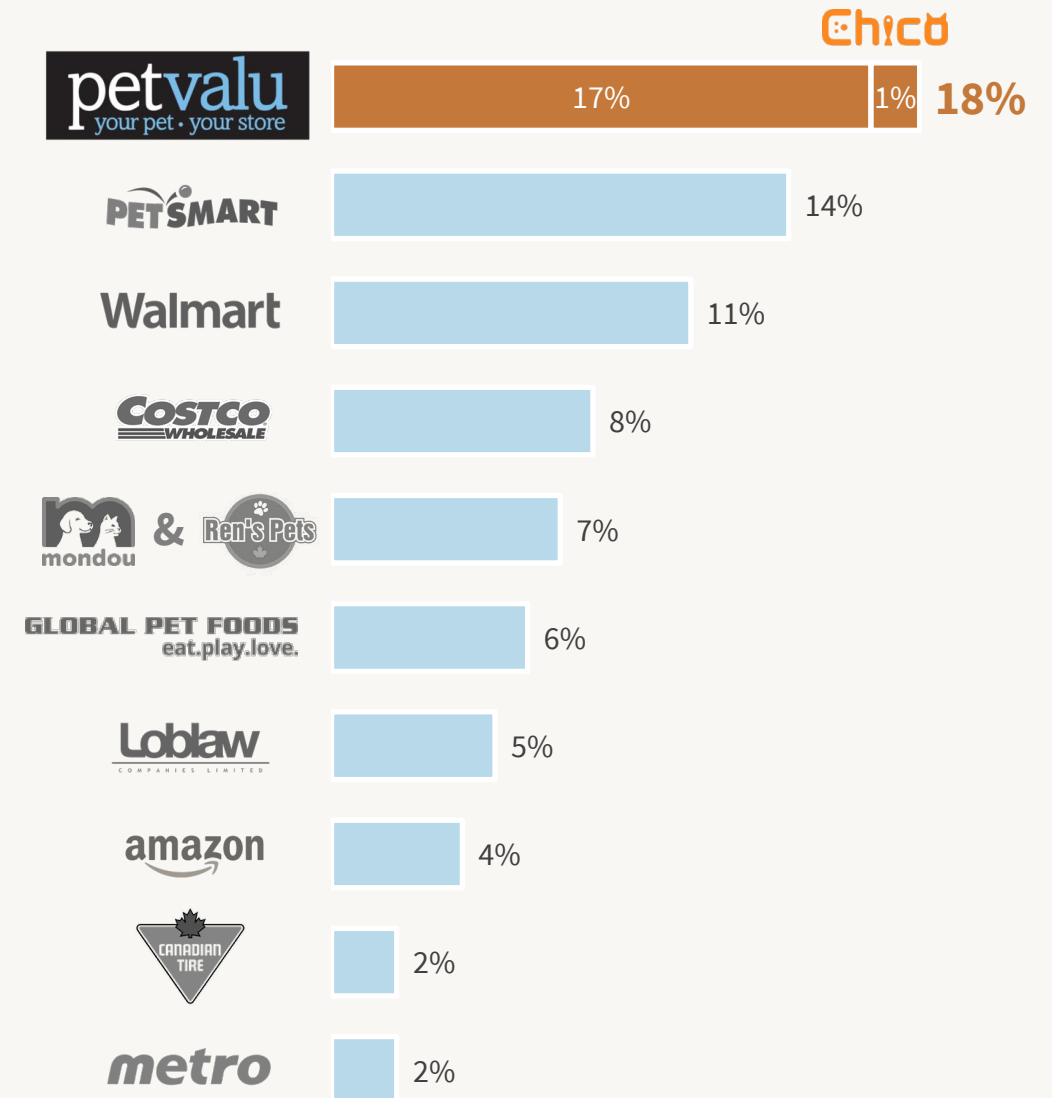
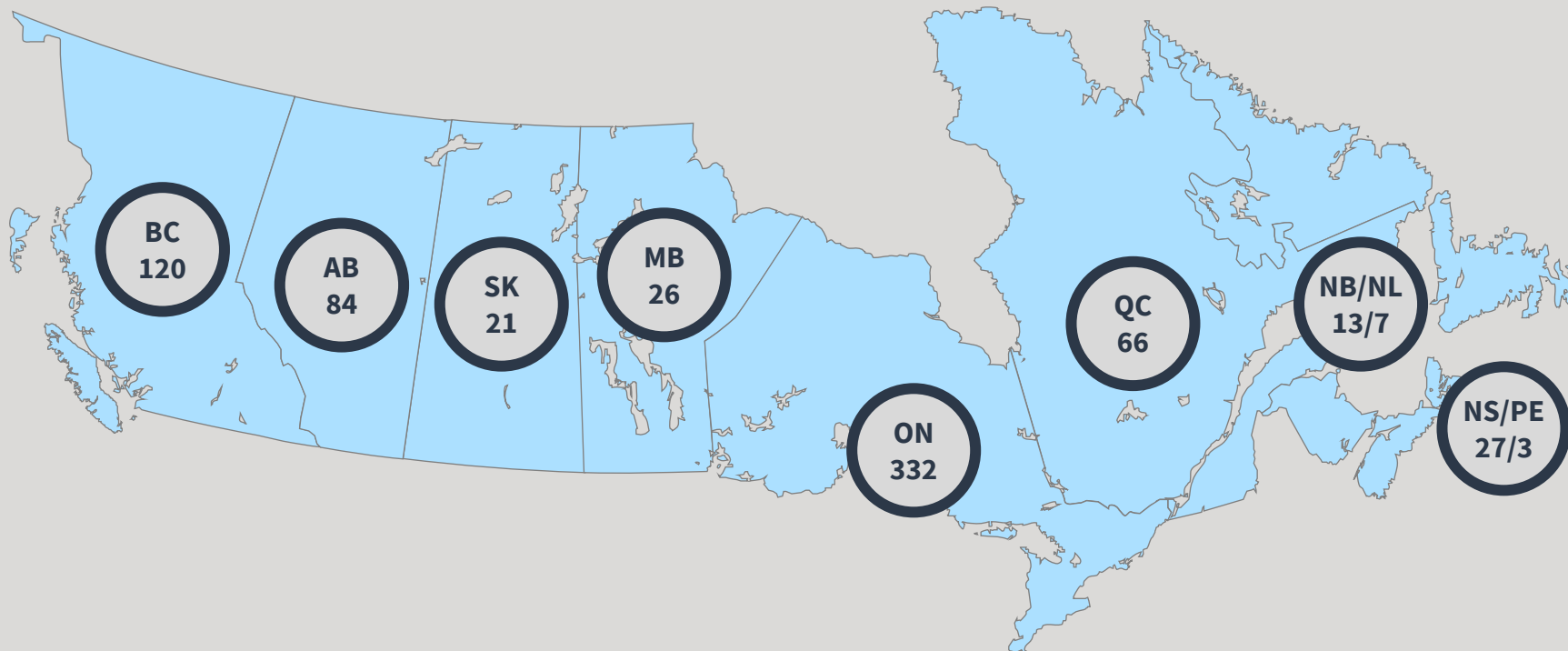
Unrivaled network across Canada with broad customer reach...

...driving leading market share<sup>3</sup> position

**~700**  
stores across  
10 provinces<sup>1</sup>

**72%**  
of Canadians  
within 5km

**75%**  
market  
segment reach<sup>2</sup>

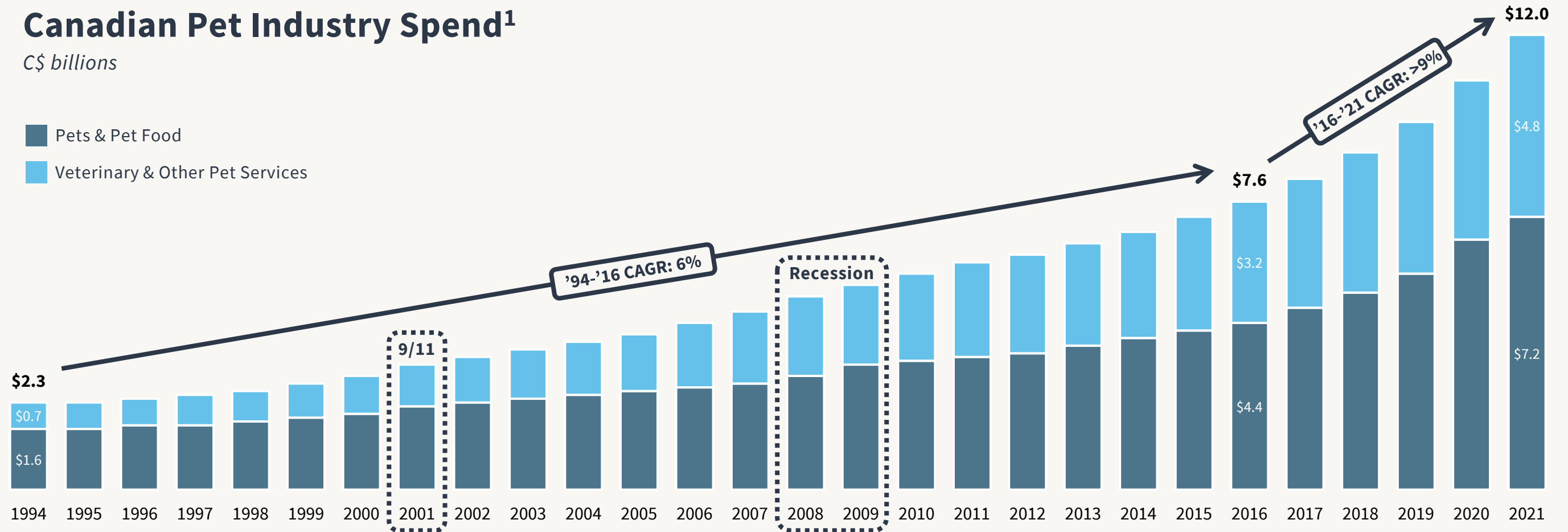


<sup>1</sup>633 stores as of Q4 2021 plus 66 Chico stores acquired on February 25, 2022; <sup>2</sup>Customer segmentation from roundpeg Customer Study (Jan. '21); <sup>3</sup>Fusion Retail Analytics, 2021 Canadian Pet Spend Market Share.

# Pet Industry Has Delivered Consistent & Resilient Growth

## Canadian Pet Industry Spend<sup>1</sup>

C\$ billions



**Underlying trends driving industry growth**



<sup>1</sup>Statistics Canada, Table 36-10-0225-01 Detailed household final consumption expenditure, provincial and territorial.

# We Operate a Highly-Flexible, Franchise-Led Model



## Franchise network

472 stores<sup>1</sup>

### Strategic Benefits<sup>2</sup>

- ✓ Franchisees **live and invest in their communities**
- ✓ **Owner-operator model**, with mandatory 40hr/week commitment
- ✓ **Limited concentration**: 67% of franchisees owning one store, 23% owning two stores and no franchisees with more than 6 stores
- ✓ Average **franchisee tenure of ~10 years** with **<5% annual turnover** (mostly related to retirement)

### Economic Benefits<sup>2</sup>

- ✓ **AUV of \$1.7M<sup>3</sup> & 4-Wall EBITDA of \$185K<sup>3</sup>** (~11% margin) drives:
  - Low investment cost of \$400K driving sales-to-investment ratio of **4.2x<sup>4</sup>**
  - Cash-on-cash returns **>46%<sup>5</sup>** and **~4-year payback** on initial investment



## Corporate core

227 stores<sup>1</sup>

- ✓ Stores in **every major location and market type**
- ✓ **Rapidly innovate** our product and service offering, while **developing and standardizing** leading practices
- ✓ **Flexibility to invest in competitive real estate** markets if a franchisee has not yet been identified
- ✓ Average corporate manager **tenure of ~4 years**

- ✓ **AUV of \$1.5M<sup>3</sup> & 4-Wall EBITDA of >\$300K<sup>3</sup>** (>20% margin) drives:
  - Sales-to-investment ratio of **4.2x<sup>4</sup>** (~\$360K investment) Cash-on-cash returns **>80%<sup>5</sup>** and **~2-year payback**

All stores sized in small, adaptable formats to fit local market needs, driving consistent results



*Consistent Same-Store Sales Growth across rural, suburban & metro markets*

<sup>1</sup>633 stores as of Q4 2021 plus 66 Chico stores acquired on February 25, 2022. <sup>2</sup>Excludes Chico stores.

<sup>3</sup>Represents Fiscal 2021 performance for 374 franchised and 213 corporate stores open for at least 12 months.

<sup>4</sup>Calculated by dividing AUV by average investment cost; <sup>5</sup>Calculated by dividing 4-Wall EBITDA by average investment cost.

Note: AUV, 4-Wall EBITDA and cash-on-cash returns are supplementary financial measures. Refer to the AIF and Prospectus for definitions.

# Our Compelling & Engaging Retail Experiences Set Us Apart

## Welcoming store environment

- ✓ Serves customers making a **quick stop** or those looking for **high-touch engagement and service**
- ✓ **Ongoing upgrades to stores** over 10 years old to maintain consistent look & feel



## Expert, compassionate advice

- ✓ **Highly engaging Animal Care Experts (ACEs)** balance safety, compassion, expertise and efficiency
- ✓ **18+ hours of rigorous upfront training** in nutrition, care, wellness, customer service & selling skills



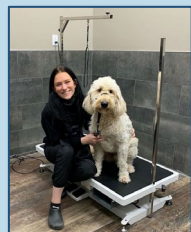
## Premium consumables offering; strong proprietary brands

- ✓ Premium consumables-focused offering composed **~70% of system-wide sales** in 2021
- ✓ Broad assortment of national brands, complemented by award-winning proprietary brands, **consisting of >1,500 products** composing **~30% of system-wide sales** in 2021



## Inviting in-store services

- ✓ Drive incremental traffic, extends visit durations and enhances overall engagement
- ✓ **~60%<sup>1</sup>** offer self-service dog wash bays and **~33%<sup>1</sup>** offer full-service grooming
- ✓ Significant growth opportunity with **only ~20%<sup>1</sup>** offering both



## Strong, growing customer loyalty

- ✓ **Over 2 million** active loyalty members as of Q4 2021
- ✓ **66% of system-wide sales** from loyalty members in 2021
- ✓ Loyalty transactions drive significantly higher average basket size



## Fully integrated omni-channel capabilities

- ✓ Invested over **\$35M** since 2019
- ✓ Canada-wide **direct-to-customer e-commerce site** as of February 2021
- ✓ Integrated **Click-and-Collect** as of Q3 2021
- ✓ Consistent **record website traffic growth** each quarter since early 2020

<sup>1</sup>Excludes Chico stores.

Notes: Active loyalty membership based on transaction history in the last twelve months.

# Local Pet Authority, Led by Experienced Leadership Team

## Translating “Our Four Paws” into “Memorable Moments”

- ✓ *Our Four Paws: Safety, Compassion, Expertise and Efficiency*
- ✓ *We hire ACEs for compassion, and develop the skills and expertise to serve*
- ✓ *Prioritize time with customers to create “Memorable Moments”*

## Deeply Committed to supporting pets across Canada

- ✓ *Donated over \$21M to local animal shelters and pet rescues over the last 10 years*
- ✓ *Aided 38,000 homeless pets in finding their forever homes*
- ✓ *National feeding sponsor for Lions Foundation of Canada Dog Guides Program*

**Adam Woodward**  
VP, Franchise Store Operations

**Chris Schultz**  
Chief Information Officer

**Kendalee MacKay**  
Chief Merchant Officer

**Christine Bevilacqua**  
Chief Administrative Officer

**Richard Maltsbarger**  
President & CEO

**Tanbir Grover**  
Chief Marketing & Digital Officer

**Jim Grady**  
Chief Financial Officer

**Catherine Johnston**  
Chief Legal Officer & General Counsel

**Gaylyn Craig**  
VP, Corporate Store Operations





# Our Long-Term Growth Formula



**Expand Our Store Network**



**Drive Same-Store Sales Growth**



**Enhance Operating Margins**

*Opportunity to grow store count to 1,200+*

*Build on proven strategies & growing digital channels*

*Leverage investments in modernizing systems*

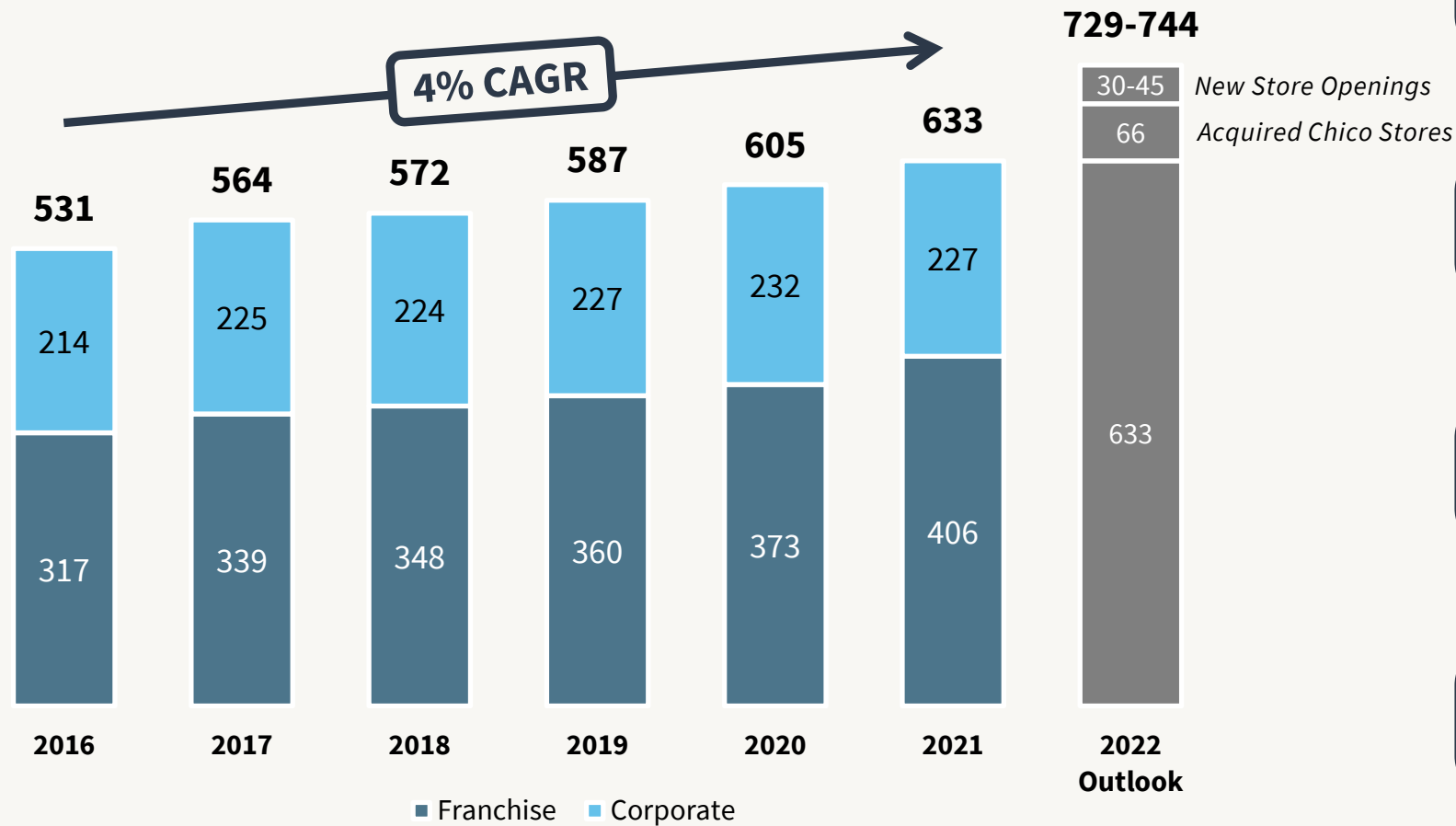
**Underpinned by the Resilient & Growing Canadian Pet Industry**



# Expanding Our Store Network

## System-wide Stores, by Type

as at year-end



## Drivers

- Opportunity to grow store count to 1,200+ locations over the long term
- Identified locations in both new and fill-in markets for future growth
- Growth to be led primarily through franchised units
- Received ~1,500 formal franchising inquiries in 2021

# Acquisition of Les Franchises Chico (“Chico”)

## About Chico

- Quebec’s largest pet specialty franchisor with 66<sup>1</sup> locations across the province
- Long heritage serving Quebec, founded in 1983
- Store size, AUV, and product mix similar to Pet Valu
- Limited wholesale distribution and private label presence
- 2021 system-wide sales of ~\$79M and revenue of ~\$7M



## Strategic Rationale

- Experienced entry into Quebec market
- Close corporate cultural and operational similarities
- Ample runway for continued store growth of Chico banner across Quebec
- Opportunity to leverage Pet Valu’s proprietary brands and broader wholesale distribution network

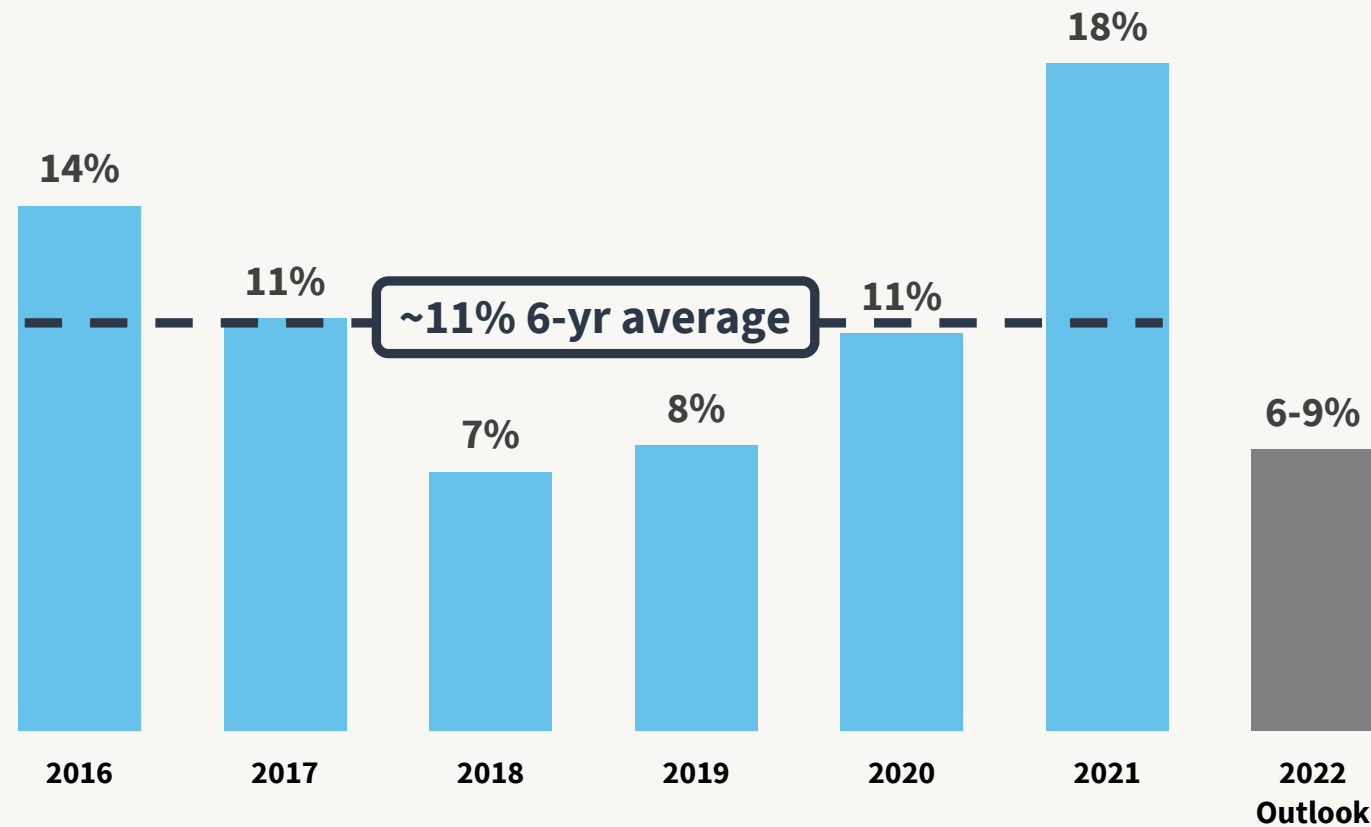


<sup>1</sup>As of February 25, 2022.



# Driving Same-Store Sales Growth

## Same-Store Sales Growth



## Drivers

- Embedded growth from maturation of recently opened stores
- Growth in loyalty, enabled by digital investments
- Continued excellence in merchandising
- Continued growth in omni-channel
- Expanding service offering across store network
- Refreshing and remodelling stores older than 10 years

# Enhancing Operating Margins through Proven Initiatives



## Purchasing Strength From Procurement

- ✓ **90%+** of products for Pet Valu stores fulfilled by our own distribution infrastructure
- ✓ **Long-standing relationships** with a diverse base of suppliers



## Increased Proprietary Brand Penetration

- ✓ **Significantly higher margin** vs. national brands
- ✓ **Greater than 30% penetration**
- ✓ **Underpenetrated** hardline mix relative to global benchmarks



## Improved Labour Efficiency

- ✓ **Upgraded** customer service model
- ✓ **Process improvement** reallocating minutes **from tasks to selling**

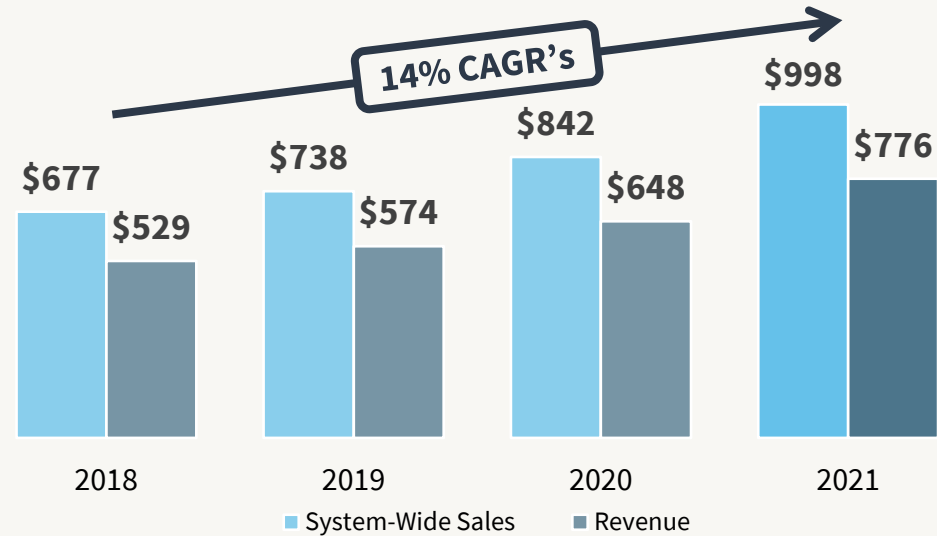


## Increased Corporate SG&A Leverage

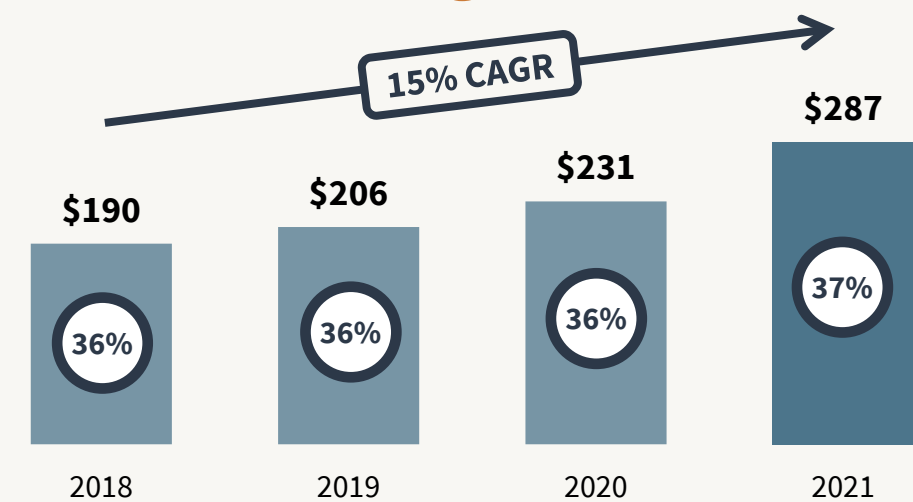
- ✓ **\$35MM+** invested in technology since 2019
- ✓ **IT, digital & data analytics** capabilities
- ✓ **Inventory fulfillment** tools

# Strong Financial Track Record

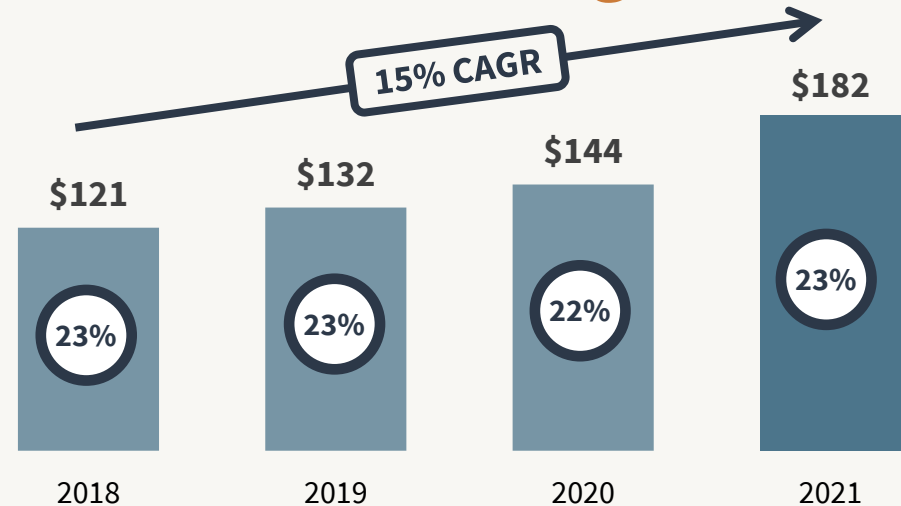
## System-wide Sales & Revenue



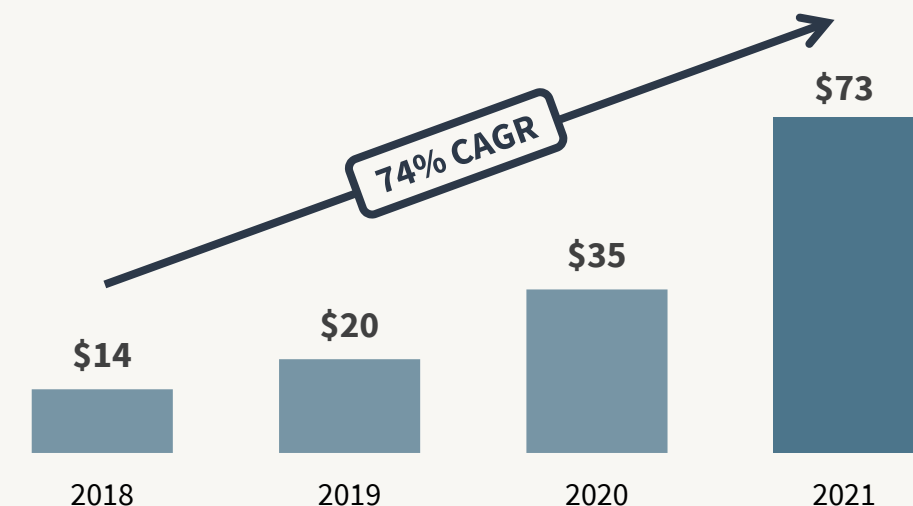
## Gross Profit & Margin



## Adjusted EBITDA & Margin



## Adjusted Net Income



Note: System-wide Sales is a supplementary financial measure. Adjusted EBITDA and Adjusted Net Income are non-IFRS measures. Refer to our MD&A for year ended January 1 2022, AIF and Prospectus for more information and a reconciliation of these non-IFRS measures.

# 2022 Outlook

	2022 Outlook	Growth from FY 2021
<b>SSSG<sup>1</sup></b>	<b>6-9%</b>	
<b>New Stores</b>	<b>30-45</b>	+5-7%
<b>Revenue</b>	<b>\$845-870M</b>	+9-12%
<b>Adjusted EBITDA</b>	<b>\$187-194M</b>	+3-6%
<b>Adjusted Net Income</b> <i>per Diluted Share</i>	<b>\$1.37-1.44</b>	+34-41%
<b>Capital Expenditures<sup>2</sup></b>	<b>\$20-25M</b>	+\$0-5M

<sup>1</sup> SSSG = Same-Store Sales Growth. <sup>2</sup> Net of (i) proceeds on disposal of property and equipment, and (ii) tenant allowances.  
 Note: 2022 New Stores range and growth from 2021 of 30-45 excludes the 66 Chico stores acquired on February 25, 2022.

# Thank You

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