



PET VALU HOLDINGS LTD.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS**

(Fiscal Year Ended December 28, 2024)

The following Management's Discussion and Analysis ("MD&A") for Pet Valu Holdings Ltd. ("we", "Pet Valu" or the "Company") was prepared as at March 3, 2025 and provides information concerning the Company's financial condition and results of operations for the 13-week and 52-week periods ended December 28, 2024 and December 30, 2023, respectively. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and notes for Fiscal 2024 (as hereinafter defined). Additionally, readers should refer to the "Risk Factors" set forth in the Company's annual information form dated March 3, 2025 ("AIF") for further information. Additional information about Pet Valu Holdings Ltd. can be found on SEDAR+ at www.sedarplus.ca.

Basis of Presentation

The Company's audited consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"), using the accounting policies described therein. All amounts are presented in thousands of Canadian dollars unless otherwise indicated and per share amounts. The Company is managed based on one operating and reportable segment.

The Company operates on a 52- or 53-week fiscal year, concluding on the Saturday nearest to December 31. The Company's fiscal quarters conclude on the Saturday nearest to the end of each quarter. Each quarterly period has 13 weeks, except for a 53-week year when the fourth quarter will have 14 weeks. The 13-week and 52-week periods ended December 28, 2024 and December 30, 2023, represent the Company's results for its fourth quarter and the fiscal year of the relevant financial years.

All references in this MD&A to "Q4 2024" are to the 13-week period ended December 28, 2024, to "Q4 2023" are to the 13-week period ended December 30, 2023, to "Fiscal 2024" are to the 52-week period ending December 28, 2024, and to "Fiscal 2023" are to the 52-week period ended December 30, 2023. Figures presented in this MD&A are in thousands of Canadian dollars unless otherwise indicated.

The audited consolidated financial statements and accompanying notes for Fiscal 2024 and this MD&A were authorized for issue by the Company's Board of Directors.

Non-IFRS and Other Financial Measures

This MD&A makes reference to certain non-IFRS measures and non-IFRS ratios. These measures and ratios are not recognized 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, these measures should not be considered in isolation nor as a substitute for the Company's analysis of its financial information reported under IFRS. The Company uses non-IFRS measures, including "EBITDA", "Adjusted EBITDA", "Adjusted Net Income", "Free Cash Flow", and "Net Capital Expenditures", and non-IFRS ratios, including "Adjusted EBITDA margin", "Adjusted EBITDA as a percentage of revenue", "Adjusted Net Income as a percentage of revenue", and "Adjusted Net Income per Diluted Share". This MD&A also makes reference to certain supplementary financial measures that are commonly used in the retail industry, including "system-wide sales", "same-store sales growth (decline)", "same-store transaction growth (decline)", and "same-store average spend per transaction growth (decline)". These non-IFRS measures, non-IFRS ratios and supplementary financial measures are used to provide investors with supplemental measures of the Company's operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS measures. The Company also believes that securities analysts, investors and other interested parties frequently use such non-IFRS measures, non-IFRS ratios and supplementary financial measures in the evaluation of issuers. Management of the Company uses non-IFRS measures, non-IFRS ratios 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 "Selected Consolidated Financial Information and Industry Metrics" and "Selected Quarterly Results and Performance Measures" for a reconciliation of net income, an IFRS measure, to EBITDA, Adjusted EBITDA and Adjusted Net Income. Refer to "Liquidity and Capital Resources - Free Cash Flow" for a reconciliation of Free Cash Flow.

Forward-Looking Information

This MD&A contains forward-looking information. Forward-looking information is provided as at the date of this MD&A 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. Such forward-looking information is intended to provide information about management's current expectations and plans, and may not be appropriate for other purposes. 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 Canadian securities laws.

Forward-looking information may relate to the Company's future financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, store openings and enhancements, addressable markets, budgets, operations, financial results, taxes, dividend policy, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate 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", "continue", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "should", "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 facts but instead represent management's expectations, estimates and projections regarding future events or circumstances.

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 of this MD&A and in our most recent AIF. A copy of the AIF 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 purpose of the forward-looking information is to provide the reader with a description of management's current expectations regarding the Company's financial performance and may not be appropriate for other purposes. Readers should not place undue reliance on forward-looking information contained herein. To the extent any forward-looking information in this MD&A 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. Future-oriented financial information, as with forward-looking information generally, are based on current assumptions and subject to risks, uncertainties and other factors. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Financial Highlights

The following tables set forth the selected financial information and industry metrics for the periods indicated (in thousands, except system-wide stores or as otherwise noted). We refer the reader to the section entitled "How We Assess the Performance of Our Business" of this MD&A for the definition of the items in the following table and, when applicable, to the section entitled "Selected Consolidated Financial Information and Industry Metrics" for reconciliations of non-IFRS measures with the most directly comparable IFRS measures.

Q4 2024 Compared to Q4 2023

	Quarters Ended			% Change
	December 28, 2024		December 30, 2023	
	13 weeks	13 weeks	13 weeks	
Revenue	\$ 295,149	\$ 286,908	2.9 %	
Gross profit margin	34.0 %	34.3 %	n/a	
Operating income	\$ 47,872	\$ 48,265	(0.8)%	
Net income	\$ 28,905	\$ 28,765	0.5 %	
System-wide sales ⁽¹⁾	\$ 388,094	\$ 379,013	2.4 %	
System-wide stores	824	783	5.2 %	
Same-store sales (decline) growth ⁽¹⁾	(0.2)%	1.9 %	n/a	
Same-store transaction decline ⁽¹⁾	(2.1)%	(1.1)%	n/a	
Same-store average spend per transaction growth ⁽¹⁾	2.0 %	3.0 %	n/a	
EBITDA ⁽²⁾	\$ 63,391	\$ 63,520	(0.2)%	
Adjusted EBITDA ⁽²⁾	\$ 68,173	\$ 71,256	(4.3)%	
Adjusted Net Income ⁽²⁾	\$ 32,183	\$ 39,096	(17.7)%	
Adjusted Net Income per Diluted Share ⁽³⁾	\$ 0.45	\$ 0.54	(16.7)%	
Free Cash Flow ⁽²⁾	\$ 41,040	\$ 34,277	19.7 %	

Notes:

(1) System-wide sales, same-store sales (decline) growth, same-store transaction decline, and same-store average spend per transaction growth are supplementary financial measures. For further information on supplementary financial measures, see "Non-IFRS and Other Financial Measures".

(2) EBITDA, Adjusted EBITDA, Adjusted Net Income, and Free Cash Flow are non-IFRS measures. Non-IFRS measures are not determined in accordance with IFRS, do not have standardized meanings and may not be comparable to similar financial measures presented by other companies. See "Selected Consolidated Financial Information and Industry Metrics" for a reconciliation of net income, an IFRS measure, to EBITDA, Adjusted EBITDA and Adjusted Net Income. See "– Liquidity and Capital Resources – Free Cash Flow" for a reconciliation of Free Cash Flow.

⁽³⁾ Adjusted Net Income per Diluted Share is a non-IFRS ratio. Non-IFRS ratios are not determined in accordance with IFRS, do not have standardized meanings and may not be comparable to similar financial measures presented by other companies. For further information on non-IFRS ratios, see "Non-IFRS Measures and Other Financial Measures" and "How We Assess the Performance of our Business".

Fiscal 2024 Compared to Fiscal 2023

	Fiscal Year Ended		
	December 28, 2024	December 30, 2023	% Change
	52 weeks	52 weeks	
Revenue	\$ 1,097,193	\$ 1,055,867	3.9 %
Gross profit margin	33.2 %	34.6 %	n/a
Operating income	\$ 155,323	\$ 160,726	(3.4)%
Net income	\$ 87,420	\$ 89,548	(2.4)%
System-wide sales	\$ 1,452,862	\$ 1,419,733	2.3 %
System-wide stores	824	783	5.2 %
Same-store sales (decline) growth	(0.5)%	5.2 %	n/a
Same-store transaction (decline) growth	(2.7)%	0.7 %	n/a
Same-store average spend per transaction growth	2.3 %	4.4 %	n/a
EBITDA	\$ 219,400	\$ 206,538	6.2 %
Adjusted EBITDA	\$ 247,083	\$ 231,038	6.9 %
Adjusted Net Income	\$ 113,327	\$ 116,538	(2.8)%
Adjusted Net Income per Diluted Share	\$ 1.57	\$ 1.61	(2.5)%
Free Cash Flow	\$ 102,649	\$ 48,660	111.0 %

Overview

Our mission is 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.

Since opening our first store in 1976, Pet Valu has grown to become Canada's leading retailer of pet food and pet-related supplies. As at the end of Q4 2024, we operate 824 corporate-owned and franchised locations across the country, complemented by a full suite of e-commerce capabilities. Over our history, we have earned the trust and loyalty of devoted pet owners with our compassionate and knowledgeable service, our premium product offering which includes our award-winning proprietary brands, our in-store services and our expanding omni-channel capabilities. This winning strategy is underpinned by our highly flexible operating model which allows us to deliver superior unit economics and growth.

We and our franchisees operate the largest specialty pet store network in Canada, with more than three times the number of stores of our closest specialty pet competitor, putting our stores within five kilometres of over 75% of Canadians. Together with our e-commerce platform, our market presence generates significant brand awareness, provides our channels with access to millions of Canadian pet owners and enables us to earn the leading dollar share in the Canadian pet retail industry. We combine our scale with a highly localized retail strategy allowing us to offer our customers premium products at competitive prices while delivering personalized service. In addition to our nationally recognized and trusted Pet Valu banner, we also operate three banners in British Columbia (Bosley's by Pet Valu, Tisol, and Total Pet), the Paulmac's Pets banner in Ontario, and the Chico banner in Quebec. These longstanding banners are deeply embedded in their respective communities and benefit from the scale of our national operating network.

Recent Developments

Fiscal 2024:

2024 Secondary Offering

On May 15, 2024, a secondary offering (the "2024 Secondary Offering") of the Company's common shares was completed by its principal shareholders on a bought deal basis. The 2024 Secondary Offering of 5,903,000 common shares at an offering price of \$29.65 per common share raised gross proceeds of \$175.0 million for the principal shareholders. The Company did not issue additional common shares or receive any of the proceeds from the 2024 Secondary Offering. Underwriting fees were paid by the principal shareholders, and other expenses related to the 2024 Secondary Offering of approximately \$0.2 million were paid by the Company and included in selling, general and administrative expenses in Q2 2024.

Opening of Metro Vancouver Region ("MVR") Distribution Centre

In July 2024, the Company officially commenced operation of its new MVR distribution centre, a 350,000 square foot, LEED-Gold certified distribution centre in Surrey, British Columbia, representing another key milestone in the Company's nationwide supply chain transformation.

New Calgary Distribution Centre

On October 18, 2024, the Company entered into a lease agreement for a new 300,000 square foot distribution centre in Calgary, Alberta. The lease is expected to commence on March 1, 2025.

Amendment of Credit Agreement

On October 31, 2024, the Company amended its credit agreement in order to, among other things, extend the term to October 31, 2029 and increase the borrowing capacity of the Revolving Facility (as hereinafter defined) to \$175,000.

2024 Normal Course Issuer Bid

On November 28, 2024, the Company announced that the TSX had accepted its notice of intention to renew its normal course issuer bid ("2024 NCIB"). Pursuant to the 2024 NCIB, the Company may purchase for cancellation, up to an aggregate of 3,572,004 common shares, representing approximately 5% of the Company's issued and outstanding common shares as at November 18, 2024. The 2024 NCIB commenced on December 2, 2024, and will continue until the earliest of (a) the close of trading on December 1, 2025, (b) the date upon which the Company acquires the maximum number of common shares to be purchased under the 2024 NCIB, and (c) the date on which the Company provides written notice of termination of the 2024 NCIB to the TSX.

Effective December 2, 2024, the Company entered into an automatic share purchase plan ("2024 ASPP"), with a designated broker, in connection with the 2024 NCIB to facilitate the purchase of common shares during certain periods when the Company would not be permitted to purchase shares due to regulatory restrictions or a self-imposed blackout period. Before entering a blackout period, the Company may, but is not required to, instruct its designated broker to make purchases at the broker's sole discretion and based on parameters set by the Company in accordance with the ASPP, NCIB, TSX rules, and applicable securities laws.

Fiscal 2023:***2023 Secondary Offering***

On June 1, 2023, a secondary offering (the "2023 Secondary Offering") of the Company's common shares was completed by its principal shareholders on a bought deal basis. The 2023 Secondary Offering of 4,690,000 common shares at an offering price of \$32.05 per common share raised gross proceeds of \$150.3 million for the principal shareholders. The Company did not issue additional common shares or receive any of the proceeds from the 2023 Secondary Offering. Underwriting fees were paid by the principal shareholders, and other expenses related to the 2023 Secondary Offering of approximately \$0.3 million were paid by the Company and included in selling, general and administrative expenses in Fiscal 2023.

Opening of Greater Toronto Area ("GTA") Distribution Centre

In July 2023, the Company officially commenced operation of its new state-of-the-art 670,000 square foot distribution centre in Brampton, Ontario, representing a key milestone in the Company's nationwide supply chain transformation and facilitating wholesale capability for Chico franchisees starting in November 2023.

New MVR Distribution Centre

In July 2023, the Company entered into a lease for its new 350,000 square foot LEED-certified MVR distribution centre. The Company took possession of the MVR distribution centre on November 1, 2023.

2023 Normal Course Issuer Bid

On November 28, 2023, the Company announced that the Toronto Stock Exchange ("TSX") had accepted its notice of intention to launch a normal course issuer bid ("2023 NCIB"). Pursuant to the 2023 NCIB, the Company may purchase for cancellation up to an aggregate of 1,786,599 common shares, representing approximately 2.5% of the Company's issued and outstanding common shares as at November 16, 2023, over the 12-month period commencing November 30, 2023 and ending November 29, 2024.

Effective November 24, 2023, the Company established an automatic share purchase plan ("2023 ASPP") in connection with the 2023 NCIB to facilitate the purchase of common shares during certain periods when the Company would not be permitted to purchase shares due to regulatory restrictions or a self-imposed black out period. Before entering a black out period, the Company may, but is not required to, instruct its designated broker to make purchases at the broker's sole discretion and based on parameters set by the Company in accordance with the ASPP, NCIB, TSX rules, and applicable securities laws.

Selected Consolidated Financial Information and Industry Metrics

The following table summarizes the Company's recent results of operations and selected financial position data for the periods indicated. The selected consolidated financial information set out below has been derived from our audited consolidated financial statements and related notes (in thousands unless otherwise noted).

	Quarters Ended		Fiscal Year Ended		
	December 28, 2024	December 30, 2023	December 28, 2024	December 30, 2023	December 31, 2022
	13 weeks	13 weeks	52 weeks	52 weeks	52 weeks
Revenue					
Retail sales	\$ 104,929	\$ 110,089	\$ 405,357	\$ 421,828	\$ 402,586
Franchise and other revenues	190,220	176,819	691,836	634,039	549,111
Total Revenue	295,149	286,908	1,097,193	1,055,867	951,697
Cost of sales	194,933	188,407	732,554	690,730	599,400
Gross profit	100,216	98,501	364,639	365,137	352,297
Selling, general and administrative expenses	52,344	50,236	209,316	204,411	192,105
Operating income	47,872	48,265	155,323	160,726	160,192
Interest expenses, net	6,552	8,456	32,103	30,646	20,478
Loss (gain) on foreign exchange	1,265	(256)	1,836	188	1,111
Other loss (gain)	—	—	—	4,718	(68)
Income before income taxes	40,055	40,065	121,384	125,174	138,671
Income tax expense	11,150	11,300	33,964	35,626	37,905
Net income	28,905	28,765	87,420	89,548	100,766
Basic net income per share attributable to the common shareholders	\$ 0.41	\$ 0.40	\$ 1.22	\$ 1.26	\$ 1.43
Diluted net income per share attributable to the common shareholders	\$ 0.40	\$ 0.40	\$ 1.21	\$ 1.24	\$ 1.40

	Fiscal Year Ended		
	December 28, 2024	December 30, 2023	December 31, 2022
Total assets	\$ 970,931	\$ 916,907	\$ 740,176
Total non-current liabilities	690,762	674,940	550,595

The following table provides a reconciliation of net income to EBITDA and Adjusted EBITDA for the periods indicated (in thousands unless otherwise noted):

	Quarters Ended		Fiscal Year Ended	
	December 28, 2024	December 30, 2023	December 28, 2024	December 30, 2023
	13 weeks	13 weeks	52 weeks	52 weeks
Reconciliation of net income to Adjusted EBITDA:				
Net income	\$ 28,905	\$ 28,765	\$ 87,420	\$ 89,548
Depreciation and amortization	16,784	14,999	65,913	50,718
Interest expenses, net	6,552	8,456	32,103	30,646
Income tax expense	11,150	11,300	33,964	35,626
EBITDA	63,391	63,520	219,400	206,538
Adjustments to EBITDA:				
Information technology transformation costs ⁽¹⁾	539	864	5,693	3,309
Business transformation costs ⁽²⁾	1,837	4,037	10,989	9,689
Other professional fees ⁽³⁾	221	225	1,218	741
Share-based compensation ⁽⁴⁾	176	2,866	7,203	5,855
Asset impairments ⁽⁵⁾	744	—	744	—
Loss (gain) on foreign exchange ⁽⁶⁾	1,265	(256)	1,836	188
Investment in associate ⁽⁷⁾	—	—	—	4,718
Adjusted EBITDA	\$ 68,173	\$ 71,256	\$ 247,083	\$ 231,038
Adjusted EBITDA as a percentage of revenue⁽⁸⁾	23.1%	24.8%	22.5%	21.9%

Notes:

- (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 e-commerce and omni-channel capabilities, merchandise planning, customer relationship management and other key processes.
- (2) Represents expenses associated with supply chain (2023, 2024) and merchandise transformation initiatives (2024), 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 Q4 2024 and Fiscal 2024 were \$nil and \$4.4 million, respectively (Q4 2023 and Fiscal 2023 – \$2.4 million and \$5.0 million, respectively). The expenses included in selling, general, and administrative expenses in Q4 2024 and Fiscal 2024 were \$0.9 million and \$4.3 million, respectively (Q4 2023 and Fiscal 2023 – \$0.8 million and \$3.9 million, respectively). Additionally, in Q4 2024 and Fiscal 2024, business transformation costs include \$0.9 million and \$2.3 million, respectively, of expenses, included in selling, general and administrative expenses, predominantly related to a reorganization in the senior leadership team and other transformation initiatives. In Q4 2023 and Fiscal 2023, business transformation costs also include \$0.8 million of severance related expenses, included in selling, general and administrative expenses, associated with restructuring activities in certain business support functions.
- (3) Represents professional fees primarily incurred with respect to: (i) the Canada Revenue Agency's ("CRA") examination of the Company's Canadian tax filings discussed in the "Income Taxes" section; and (ii) professional fees incurred with respect to the 2023 Secondary Offering and 2024 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 non-cash impairment charge taken mostly against the right-of-use asset and certain other assets for a corporate store.
- (6) Represents foreign exchange gains and losses.
- (7) Represents the Company's share of gain or loss from an associate, including impairment losses, and any gains or losses on a related call option. Specifically, the Company's share of loss from associate of \$3.4 million for Fiscal 2023 and loss on the fair value of the related call option of \$1.3 million for Fiscal 2023.
- (8) Adjusted EBITDA as a percentage of revenue is a non-IFRS ratio. Non-IFRS ratios are not determined in accordance with IFRS, do not have standardized meanings and may not be comparable to similar financial measures presented by other companies. For further information on non-IFRS ratios, see "Non-IFRS Measures and Other Financial Measures" and "How We Assess the Performance of our Business".

The following table provides a reconciliation of net income to Adjusted Net Income for the periods indicated (in thousands unless otherwise noted):

	Quarters Ended		Fiscal Year Ended	
	December 28, 2024	December 30, 2023	December 28, 2024	December 30, 2023
	13 weeks	13 weeks	52 weeks	52 weeks
Reconciliation of net income to Adjusted Net Income:				
Net income	\$ 28,905	\$ 28,765	\$ 87,420	\$ 89,548
Adjustments to net income:				
Information technology transformation costs ⁽¹⁾	539	864	5,693	3,309
Business transformation costs ⁽²⁾	1,957	9,558	17,431	18,790
Other professional fees ⁽³⁾	221	225	1,218	741
Share-based compensation ⁽⁴⁾	176	2,866	7,203	5,855
Asset impairments ⁽⁵⁾	744	—	744	—
Gain on modification of debt ⁽⁶⁾	(1,019)	—	(1,019)	—
Loss (gain) on foreign exchange ⁽⁷⁾	1,265	(256)	1,836	188
Investment in associate ⁽⁸⁾	—	—	—	4,718
Tax effect of adjustments to net income	(605)	(2,926)	(7,199)	(6,611)
Adjusted Net Income	\$ 32,183	\$ 39,096	\$ 113,327	\$ 116,538
Adjusted Net Income as a percentage of revenue⁽⁹⁾	10.9%	13.6%	10.3%	11.0%
Adjusted Net Income per Diluted Share	\$ 0.45	\$ 0.54	\$ 1.57	\$ 1.61

Notes:

- (1) Represents discrete, project-based implementation costs associated with new information technology systems and discrete SaaS arrangements for transformational initiatives supporting e-commerce and omni-channel capabilities, merchandise planning, customer relationship management and other key processes.
- (2) Represents expenses associated with supply chain (2023, 2024) and merchandise transformation initiatives (2024), 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 Q4 2024 and Fiscal 2024 were \$0.2 million and \$8.5 million, respectively (Q4 2023 and Fiscal 2023 – \$6.3 million and \$11.4 million, respectively). The expenses included in selling, general, and administrative expenses in Q4 2024 and Fiscal 2024 were \$0.9 million and \$4.3 million, respectively (Q4 2023 and Fiscal 2023 – \$0.8 million and \$3.9 million, respectively). The interest expense on the lease liability in Q4 2024 and Fiscal 2024 was \$nil and \$2.3 million, respectively (Q4 2023 and Fiscal 2023 – \$1.7 million and \$2.7 million, respectively). Additionally, in Q4 2024 and Fiscal 2024, business transformation costs include \$0.9 million and \$2.3 million, respectively, of expenses, included in selling, general and administrative expenses, predominantly related to a reorganization in the senior leadership team and other transformation initiatives. In Q4 2023 and Fiscal 2023, business transformation costs also included \$0.8 million of severance related expenses, included in selling, general and administrative expenses, associated with restructuring activities in certain business support functions.
- (3) Represents professional fees primarily incurred with respect to: (i) the CRA's examination of the Company's Canadian tax filings discussed in the "Income Taxes" section; and (ii) professional fees incurred with respect to the 2023 Secondary Offering and 2024 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 non-cash impairment charge taken mostly against the right-of-use asset and certain other assets for a corporate store.
- (6) Represents a gain on debt modification recognized in interest expenses, net in connection with the third amendment of the credit agreement as discussed in the "Liquidity and Capital Resources – Credit Facilities" section.
- (7) Represents foreign exchange gains and losses.
- (8) Represents the Company's share of gain or loss from an associate, including impairment losses, and any gains or losses on a related call option. Specifically, the Company's share of loss from associate of \$3.4 million for Fiscal 2023 and loss on the fair value of the related call option of \$1.3 million for Fiscal 2023.
- (9) Adjusted Net Income as a percentage of revenue is a non-IFRS ratio. Non-IFRS ratios are not determined in accordance with IFRS, do not have standardized meanings and may not be comparable to similar financial measures presented by other companies. For further information on non-IFRS ratios, see "Non-IFRS Measures and Other Financial Measures" and "How We Assess the Performance of our Business".

Supplemental Information on Leased Premises

The table below provides additional information on expenses for leased premises associated with the application of IFRS 16, *Leases*.

	Quarters Ended		Fiscal Year Ended	
	December 28, 2024	December 30, 2023	December 28, 2024	December 30, 2023
	13 weeks	13 weeks	52 weeks	52 weeks
Depreciation expense on right-of-use assets ⁽¹⁾	\$ 8,596	\$ 8,010	\$ 35,011	\$ 25,119
Interest expense on lease liabilities ⁽¹⁾	5,856	5,280	23,163	16,247
Interest income on lease receivables ⁽¹⁾	(2,563)	(2,360)	(9,969)	(8,844)
Net depreciation and interest expense associated to leased premises	\$ 11,889	\$ 10,930	\$ 48,205	\$ 32,522

Note:

⁽¹⁾ Represents income and expenses for leased premises included in the consolidated statements of financial position related to the application of IFRS 16, *Leases*. Specifically, this includes depreciation on right-of-use assets for leased premises, interest expense on lease liabilities for leased premises and interest income on lease receivables. For additional information, refer to the consolidated financial statements for the periods ended December 28, 2024 and December 30, 2023.

Summary of Factors Affecting Performance

We believe that our performance and future success depends on a number of factors that present significant opportunities for us. These factors are also subject to, and may pose, a number of inherent risks and challenges. Refer to "Risk Factors" in our most recent AIF for additional information.

Store Expansion and Enhancement

Between 2022 and 2024, we grew our store network at a compound annual growth rate of 9.2%, having opened 45 net new stores and acquired 66 franchised stores as part of the Chico acquisition in 2022, 39 net new stores in 2023, and 41 net new stores in 2024. In Fiscal 2025, the Company plans to open approximately 40 new stores, including both corporate-owned and franchised stores. In addition to opening new stores, the Company has increased sales and operating results by enhancing elements of its existing stores by enlarging square footage, adding in-store services, and relocating or renovating stores. From 2022 to 2024, we and our franchisees expanded, renovated, or relocated an average of 38 stores per year. The Company and its franchisees plan to expand, renovate or relocate between 20 to 30 stores in Fiscal 2025.

The following table summarizes the change in the Company's store count for the periods indicated:

	Quarters Ended		Fiscal Year Ended	
	December 28, 2024	December 30, 2023	December 28, 2024	December 30, 2023
	13 weeks	13 weeks	52 weeks	52 weeks
Corporate-owned stores:				
Beginning of period	214	225	222	225
New stores opened	12	7	22	15
Re-franchised ⁽¹⁾	(7)	(10)	(26)	(19)
Franchise acquisition ⁽¹⁾	1	—	2	1
Corporate-owned stores end of period	220	222	220	222
Franchised stores:				
Beginning of period	591	541	561	519
New stores opened	7	10	19	24
Re-franchised ⁽¹⁾	7	10	26	19
Franchise acquisition ⁽¹⁾	(1)	—	(2)	(1)
Franchised stores end of period	604	561	604	561
System-wide stores	824	783	824	783
Stores renovated, expanded or relocated⁽²⁾	14	11	39	40

Notes:

⁽¹⁾ Re-franchised means a store previously run as a corporate-owned store and now owned and operated by a franchisee. Franchise acquisition means a store previously run by a franchisee now owned and operated by the Company as a corporate-owned store.

⁽²⁾ During Q4 2024, Q4 2023, Fiscal 2024, and Fiscal 2023, the Company renovated, expanded, or relocated a total of six, six, 17, and 16 corporate-owned stores, respectively. During Q4 2024, Q4 2023, Fiscal 2024, and Fiscal 2023, there were eight, five, 22, and 24 franchised stores renovated, expanded, or relocated, respectively.

How We Assess the Performance of Our Business

Revenue. The Company's revenue is comprised of retail sales and franchise and other revenues. The following is a brief description of the components of our revenue:

- The Company's retail sales include corporate-owned retail store and e-commerce merchandise sales as well as in-store grooming and dog wash services. Retail sales are net of sales tax collected from the customer on behalf of government authorities.
- Franchise and other revenues include both one-time and ongoing amounts, consisting of initial and renewal franchise fees, royalties, percentage rent and common area maintenance and realty tax revenues from properties subleased to franchisees, wholesale merchandise sales, promotion fees, and fees for other services. Franchise royalties, promotion fees and percentage rent are based on a percentage of the franchisees' retail sales. Percentage rent represents the Company's variable participation in sales performance when such figure is in excess of a contractual minimum base rent. The portion in excess of base rent is included in royalties and sublease revenues.

Cost of sales. Cost of sales reflects inventory and product-related costs, warehousing and distribution costs, depreciation expense for store right-of-use assets and distribution centre assets and occupancy costs related to store operations, such as variable lease payments, common area maintenance, utilities and general store maintenance.

Gross profit. Gross profit reflects our revenue less cost of sales.

Gross profit margin. Gross profit margin is defined as gross profit as a percentage of revenue and is impacted by components of cost of sales, product mix and markdowns.

Selling, general and administrative expenses. Selling, general and administrative expenses ("SG&A") are predominantly comprised of wages, benefits, share-based compensation, franchise development expenses, travel, marketing, professional fees and other expenses related to the corporate infrastructure required to support our corporate-owned and franchised stores. SG&A expenses also include depreciation and amortization expenses for all property and equipment at corporate-owned stores and the corporate office, intangible assets, and corporate office right-of-use assets.

Operating income. Operating income is defined as gross profit less selling, general and administrative expenses.

EBITDA. EBITDA is defined as net income before interest expense (net), income tax expense (recovery) and depreciation and amortization.

Adjusted EBITDA. Adjusted EBITDA is defined as net income before interest expense (net), income tax expense (recovery) and depreciation and amortization adjusted for the impact of certain expenses, costs or benefits incurred which in management's view are not indicative of the underlying business performance, including information technology transformation costs, business transformation costs, other professional fees, share-based compensation expense, asset impairments, gain or loss on foreign exchange, and investment in associate. Refer to the sections entitled "Selected Consolidated Financial Information and Industry Metrics" and "Selected Quarterly Results and Performance Measures" for additional information on these items. We believe Adjusted EBITDA is a useful measure of operating performance as it provides a more relevant picture of operating results by facilitating a comparison of our performance on a consistent basis from period-to-period and provides a more complete understanding of factors and trends affecting our business.

Adjusted EBITDA as a percentage of revenue or Adjusted EBITDA margin. Adjusted EBITDA as percentage of revenue or Adjusted EBITDA margin is defined as Adjusted EBITDA divided by revenue. We believe Adjusted EBITDA as a percentage of revenue or Adjusted EBITDA margin is a useful measure to assess performance as it facilitates 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.

Adjusted Net Income. Adjusted Net Income is defined as net income, adjusted for the impact of certain expenses, costs or benefits incurred which in management's view are not indicative of the underlying business performance, including information technology transformation costs, business transformation costs, other professional fees, share-based compensation expense, asset impairments, gain on modification of debt, gain or loss on foreign exchange, and investment in associate. Refer to the sections entitled "Selected Consolidated Financial Information and Industry Metrics" and "Selected Quarterly Results and Performance Measures" for additional information on these items. We believe Adjusted Net Income is a useful measure of performance, as it provides a more relevant picture of results and facilitates a comparison of our performance on a consistent basis from period-to-period and provides a more complete understanding of factors and trends affecting our business.

Adjusted Net Income as a percentage of revenue. Adjusted Net Income as a percentage of revenue is defined as Adjusted Net Income divided by revenue. We believe Adjusted Net Income as a percentage of revenue is a useful measure to assess performance as it facilitates a comparison of our operating performance on a consistent basis from period-to-period and provides a more complete understanding of factors and trends affecting our business.

Adjusted Net Income per Diluted Share. Adjusted Net Income per Diluted Share is defined as Adjusted Net Income divided by the total weighted average number of outstanding diluted common

shares at the end of the most recently completed quarter for the relevant period. We believe Adjusted Net Income per Diluted Share is a useful measure to assess the performance of the Company.

Free Cash Flow. Free Cash Flow is defined as net cash generated from operating activities and investing activities less repayments of principal on lease liabilities, interest on lease liabilities and notes receivables. It is a key metric as an indicator of how much cash is available for debt repayment, shareholder distributions, re-investment in the Company and other financing activities. Our ability to generate Free Cash Flow is an indicator of the financial strength of our business, as we require capital expenditures to build and maintain stores and purchase new equipment to improve our business and infrastructure.

Net Capital Expenditures. Net Capital Expenditures represents purchases of property and equipment, purchase of intangible assets, proceeds on disposal of property and equipment and tenant allowances on a cash basis as disclosed in our consolidated statements of cash flows in the investing activities. Net Capital Expenditures is used by management as an indicator of investment in long-term growth and operational capacity.

System-wide stores. System-wide stores reflects the number of total stores, including corporate-owned and franchised stores, open across the system at the end of a particular reporting period. The number of corporate-owned and franchised stores along with the number of operating weeks is used by management to evaluate new store growth, system-wide sales, franchise revenues and store performance.

System-wide sales. System-wide sales reflects the aggregation of retail sales at corporate-owned stores, e-commerce sales, plus the franchise retail sales occurring at franchised stores to their customers. This measure allows management to assess changes in the Company's overall system performance, the health of its brand and the strength of its market position relative to its competitors. System-wide sales are driven by the number of system-wide stores open in any period and their respective growth. For clarity, franchise retail sales are not included in the total revenue figure. The Company's revenue reflects retail sales and franchise and other revenue as defined under the definition of revenue above.

Same-store sales growth (decline). Same-store sales growth (decline) is defined as the percentage change in retail sales generated by system-wide stores, that have been opened for at least 52 weeks and e-commerce sales relative to the same period in the prior fiscal year. Stores that are renovated, expanded, or relocated are included in the metric on the first day of operation if the original store was open for at least 52 weeks. Stores that are acquired through business acquisitions are excluded from this metric for at least 52 weeks from the date of the acquisition. The primary drivers of same-store sales growth (decline) are changes in the transaction count and the average spend per transaction. Same-store sales growth (decline) is used by management to better understand our business as it explains what portion of the sales change is attributable to established stores and what portion can be attributed to the opening of new stores.

Same-store transaction growth (decline). Same-store transaction growth (decline) is defined as the percentage change in the number of store transactions generated by system-wide stores, that have been opened for at least 52 weeks and e-commerce sales relative to the same period in the prior fiscal year. Stores that are renovated, expanded, or relocated are included in the metric on the first day of operation if the original store was open for at least 52 weeks. Stores that are acquired through business acquisitions are excluded from this metric for at least 52 weeks from the date of the acquisition.

Same-store average spend per transaction growth (decline). Same-store average spend per transaction growth (decline) is defined as retail sales generated by system-wide stores, that have been opened for at least 52 weeks and e-commerce sales relative to the same period in the prior fiscal year divided by the number of same-store transactions generated by system-wide stores, unless otherwise

noted, that have been opened for at least 52 weeks and e-commerce sales relative to the same period in the prior fiscal year. Stores that are acquired through business acquisitions are excluded from this metric for at least 52 weeks from the date of the acquisition.

Changes during Q4 2024

During Q4 2024, the following changes to the composition of non-IFRS measures were made:

- Changed the definition of “Adjusted EBITDA” and “Adjusted Net Income” by revising references to fees related to CRA’s examination of tax filings related to the 2016, 2018, and 2019 fiscal years to fees with respect to CRA’s examination of tax filings discussed in the “Income Taxes” section in this MD&A, to account for fees related to CRA’s examination of tax filings in other fiscal years.
- Changed the definition of “Adjusted EBITDA” and “Adjusted Net Income” by removing an adjustment for costs related to the Chico acquisition and the secondary offering completed by the Company’s principal shareholders on November 17, 2022, as those costs are not applicable for Q4 2024.
- Changed the definition of “Adjusted Net Income” to add an adjustment for gain on modification of debt that the Company recognized upon entering into the third amendment of the Company’s credit agreement.

Results of Operations

Analysis of Results for Q4 2024 compared to Q4 2023

Revenue. Total revenue was \$295.1 million in Q4 2024, an increase of \$8.2 million, or 2.9%, compared to \$286.9 million in Q4 2023. The increase in revenue was mostly driven by growth in franchise and other revenues and partially offset by a decline in retail sales, as described in more detail below.

Retail sales. Retail sales were \$104.9 million in Q4 2024, a decrease of \$5.2 million, or 4.7%, as compared to \$110.1 million in Q4 2023. The decrease in retail sales was primarily attributable to re-franchised stores and partially offset by higher retail sales from new stores opened in the last 12 months and same-store sales growth.

Franchise and other revenues. Franchise and other revenues were \$190.2 million in Q4 2024, an increase of \$13.4 million, or 7.6%, as compared to \$176.8 million in Q4 2023. The increase in franchise and other revenues was mostly due to higher wholesale merchandise sales of \$13.3 million and higher sub-lease revenues and royalties of \$2.7 million primarily due to the growth in wholesale penetration including a higher number of re-franchised and new stores in the last 12 months.

Same-store sales growth (decline). Same-store sales decline was 0.2% in Q4 2024, primarily driven by a 2.1% same-store transaction decline partially offset by a 2.0% increase in same-store average spend per transaction growth. This is compared to same-store sales growth of 1.9% in Q4 2023, which primarily consisted of a 3.0% increase in same-store average spend per transaction growth partially offset by a 1.1% same-store transaction decline.

Gross profit. Gross profit increased by \$1.7 million, or 1.7%, to \$100.2 million in Q4 2024, compared to \$98.5 million in Q4 2023. Gross profit margin was 34.0% in Q4 2024, compared to 34.3% in Q4 2023. Excluding costs related to the supply chain transformation of 2.2% in Q4 2023, the gross profit margin was 36.5% in Q4 2023 and decreased by 2.5% compared to Q4 2024. The decrease was primarily driven by: (i) higher distribution and occupancy costs from the new GTA and MVR distribution centres, and (ii) higher wholesale merchandise sales.

SG&A expenses. SG&A expenses were \$52.3 million in Q4 2024, an increase of \$2.1 million, or 4.2%, compared to \$50.2 million in Q4 2023. SG&A expenses represented 17.7% and 17.5% of total revenue for Q4 2024 and Q4 2023, respectively. The increase of \$2.1 million in SG&A expenses was primarily due to: (i) higher marketing and advertising expenses; (ii) impairment charge recognized against right-of-use assets and property and equipment; (iii) lower gain on sale of assets for re-franchised stores; and (iv) higher depreciation and amortization from store growth and investments in other assets; partially offset by (v) lower administrative and technology expenditures.

Operating income. Operating income decreased by \$0.4 million to \$47.9 million in Q4 2024, compared to \$48.3 million in Q4 2023. The decrease in operating income is explained by the factors impacting gross profit and SG&A expenses described above.

Net interest expense. Net interest expense was \$6.6 million in Q4 2024, a decrease of \$1.9 million, or 22.5%, compared to \$8.5 million in Q4 2023. The decrease was primarily driven by (i) lower interest expense on the Term Facility (as herein defined) resulting from lower interest rates and lower debt outstanding compared to Q4 2023; (ii) a gain recognized on the modification of debt; partially offset by (iii) higher interest expense on lease liabilities resulting primarily from store network expansion and the new MVR distribution centre.

Income taxes. Income taxes were \$11.2 million in Q4 2024 compared to \$11.3 million in Q4 2023, a decrease of \$0.2 million year over year. The decrease in income taxes was primarily the result of lower taxable earnings in Q4 2024. The effective income tax rate was 27.8% in Q4 2024 compared to 28.2% in Q4 2023. The Q4 2024 and Q4 2023 effective tax rates were higher than the blended statutory rate of 26.5% due to non-deductible expenses.

Net income. Net income increased by \$0.1 million to \$28.9 million in Q4 2024, compared to \$28.8 million in Q4 2023. The increase in net income is primarily explained by lower net interest expense and lower income taxes, partially offset by lower operating income and higher loss on foreign exchange, as described above.

Diluted net income per share attributable to the common shareholders. Diluted net income per share attributable to the common shareholders remained consistent at \$0.40 in Q4 2024 and Q4 2023. The year over year stability results primarily from the factors explained above.

Adjusted EBITDA. Adjusted EBITDA decreased by \$3.1 million, or 4.3%, to \$68.2 million in Q4 2024, compared to \$71.3 million in Q4 2023. The decrease is explained by lower EBITDA of \$0.1 million and \$3.0 million of net lower adjustments from EBITDA for Q4 2024 compared to Q4 2023 from lower share-based compensation, business transformation costs, information technology transformation costs, and other professional fees, partially offset by a higher loss on foreign exchange, and asset impairments. Adjusted EBITDA as a percentage of revenue was 23.1% and 24.8% in Q4 2024 and Q4 2023, respectively.

Adjusted Net Income. Adjusted Net Income decreased by \$6.9 million to \$32.2 million in Q4 2024, compared to \$39.1 million in Q4 2023. Adjusted Net Income as a percentage of revenue was 10.9% in Q4 2024 and 13.6% in Q4 2023. The decrease is explained by the changes in net income described above, and net lower adjustments for Q4 2024 compared to Q4 2023 from lower business transformation costs, which includes the adjustment for duplicative depreciation expense on property and equipment, and right-of-use assets and interest expense on lease liabilities related to the supply chain transformation initiatives, lower share-based compensation, the gain on modification of debt in Q4 2024, and lower information technology transformation costs; partially offset by a higher loss on foreign exchange, and asset impairments.

Adjusted Net Income per Diluted Share. Adjusted Net Income per Diluted Share decreased by \$0.09 to \$0.45 in Q4 2024, compared to \$0.54 in Q4 2023. The 16.7% year over year decrease results primarily from the changes in Adjusted Net Income and the factors described above.

Analysis of Results for Fiscal 2024 compared to Fiscal 2023

Revenue. Total revenue was \$1,097.2 million in Fiscal 2024, an increase of \$41.3 million, or 3.9%, compared to \$1,055.9 million in Fiscal 2023. The increase in revenue was mostly driven by the growth in franchise and other revenues and partially offset by a decline in retail sales, as described in more detail below.

Retail sales. Retail sales were \$405.4 million in Fiscal 2024, a decrease of \$16.5 million, or 3.9%, as compared to \$421.8 million in Fiscal 2023. The decrease in retail sales was primarily attributable to re-franchised stores partially offset by new store openings in the last 12 months and higher same-store sales growth.

Franchise and other revenues. Franchise and other revenues were \$691.8 million in Fiscal 2024, an increase of \$57.8 million, or 9.1%, as compared to \$634.0 million in Fiscal 2023. The increase in franchise and other revenues was mostly driven by higher wholesale merchandise sales of \$49.1 million and higher sub-lease revenues and royalties of \$9.2 million primarily due to the growth in wholesale penetration including a higher number of re-franchised and new stores in the last 12 months.

Same-store sales growth (decline). Same-store sales decline was 0.5% in Fiscal 2024 primarily driven by a 2.7% same-store transaction decline and partially offset by a 2.3% increase in same-store average spend per transaction growth. This is compared to same-store sales growth of 5.2% in Fiscal 2023, which primarily consisted of a 4.4% increase in same-store average spend per transaction growth and a 0.7% increase in same-store transaction growth.

Gross profit. Gross profit decreased by \$0.5 million, or 0.1%, to \$364.6 million in Fiscal 2024, compared to \$365.1 million in Fiscal 2023. Gross profit margin was 33.2% of revenue in Fiscal 2024 compared to 34.6% in Fiscal 2023. Excluding the costs related to the supply chain transformation of 0.8% in Fiscal 2024 and 1.1% in Fiscal 2023, the gross profit margin was 34.0% and 35.7% in Fiscal 2024 and Fiscal 2023, respectively, and decreased by 1.7%. The decrease was primarily driven by (i) higher distribution and occupancy costs from the new distribution centres, and (ii) higher wholesale merchandise sales.

SG&A expenses. SG&A expenses were \$209.3 million in Fiscal 2024, an increase of \$4.9 million, or 2.4%, compared to \$204.4 million in Fiscal 2023. SG&A expenses represented 19.1% and 19.4% of total revenue for Fiscal 2024 and Fiscal 2023, respectively. The increase of \$4.9 million in SG&A expenses was mostly due to: (i) increased compensation costs as a result of higher variable compensation and share-based compensation; (ii) higher technology expenditures due to SaaS fees and project-based implementation costs associated with new information technology systems; (iii) higher depreciation and amortization from store growth and investments in other assets; and (iv) higher marketing and advertising expenses; partially offset by (v) higher gain on sale of assets for re-franchised stores and (vi) lower real estate and professional fees.

Operating income. Operating income decreased by \$5.4 million to \$155.3 million in Fiscal 2024, compared to \$160.7 million in Fiscal 2023. The decrease in operating income is explained by the factors impacting gross profit and SG&A expenses described above.

Net interest expense. Net interest expense was \$32.1 million in Fiscal 2024, an increase of \$1.5 million, or 4.8%, compared to \$30.6 million in Fiscal 2023. The increase was primarily driven by (i) higher interest expense on lease liabilities resulting from the new GTA and MVR distribution centres, store

network expansion and renewal of existing leases; partially offset by (ii) lower interest expense on the Term Facility (as herein defined) resulting from lower debt outstanding and lower interest rates compared to Fiscal 2023; (iii) a gain recognized on the modification of debt; and (iv) higher interest income on lease receivables.

Income taxes. Income taxes were \$34.0 million in Fiscal 2024 compared to \$35.6 million in Fiscal 2023, a decrease of \$1.7 million year over year. The decrease in income taxes was primarily the result of lower taxable earnings in Fiscal 2024. The effective income tax rate was 28.0% in Fiscal 2024 compared to 28.5% in Fiscal 2023. The Fiscal 2024 and Fiscal 2023 effective tax rates were higher than the blended statutory rate of 26.5% primarily because of non-deductible expenses and, in addition, in Fiscal 2023, due to the impairment of an investment in associate.

Net income. Net income decreased by \$2.1 million to \$87.4 million in Fiscal 2024, compared to \$89.5 million in Fiscal 2023. The decrease in net income is primarily explained by the lower operating income, higher net interest expense, and loss on foreign exchange, partially offset by lower income taxes, as described above, and by the impairment and loss recognized on the derecognition of the call option related to an investment in associate included in Fiscal 2023.

Diluted net income per share attributable to the common shareholders. Diluted net income per share attributable to the common shareholders decreased by \$0.03 to \$1.21 in Fiscal 2024, compared to \$1.24 in Fiscal 2023. The 2.4% year over year decrease results primarily from the decrease in net income as explained by the factors described above.

Adjusted EBITDA. Adjusted EBITDA increased by \$16.0 million, or 6.9%, to \$247.1 million in Fiscal 2024, compared to \$231.0 million in Fiscal 2023. The increase is explained by \$12.9 million of higher EBITDA in Fiscal 2024 compared to Fiscal 2023 and by \$3.2 million of net higher adjustments from EBITDA in Fiscal 2024 versus Fiscal 2023 from information technology transformation costs, loss on foreign exchange, share-based compensation, business transformation costs, asset impairments, and other professional fees, partially offset by the share of loss from an investment in associate in Fiscal 2023. Adjusted EBITDA as a percentage of revenue was 22.5% and 21.9% in Fiscal 2024 and Fiscal 2023, respectively.

Adjusted Net Income. Adjusted Net Income decreased by \$3.2 million to \$113.3 million in Fiscal 2024, compared to \$116.5 million in Fiscal 2023. Adjusted Net Income as a percentage of revenue was 10.3% in Fiscal 2024 and 11.0% in Fiscal 2023, respectively. The decrease is explained by the changes in net income described above, and net lower adjustments for Fiscal 2024 compared to Fiscal 2023 from the share of loss from investment in associate in Fiscal 2023, lower business transformation costs, which includes the duplicative depreciation expense on property and equipment, and right-of-use assets, and interest expense on lease liabilities related to the supply chain transformation initiatives, and the gain on modification of debt in Fiscal 2024; partially offset by higher information technology transformation costs, share based compensation, asset impairments, and other professional fees.

Adjusted Net Income per Diluted Share. Adjusted Net Income per Diluted Share decreased by \$0.04 to \$1.57 in Fiscal 2024, compared to \$1.61 in Fiscal 2023. The 2.5% year over year decrease results primarily from changes in Adjusted Net Income and the factors described above.

Total Assets

Fiscal 2024 compared to Fiscal 2023

Total assets were \$970.9 million at Fiscal 2024, an increase of \$54.0 million or 5.9%, compared to \$916.9 million at Fiscal 2023. The increase was mostly explained by an increase in property and equipment of \$31.0 million mostly due to the new distribution centres and leasehold improvements for

stores, an increase in lease receivables of \$17.0 million resulting from the growth in store count and the renewal of existing leases, an increase in accounts and other receivables of \$7.1 million primarily due to higher franchise receivables, and an increase in cash of \$6.7 million (refer to "Liquidity and Capital Resources"); partially offset by a decrease in prepaid expenses and other assets of \$8.8 million due to the timing of lease payments and a decrease in income tax recoverable of \$5.1 million from timing of corporate tax instalments and tax on common shares repurchased

Total Non-Current Liabilities

Fiscal 2024 compared to Fiscal 2023

Total non-current liabilities were \$690.8 million at Fiscal 2024, an increase of \$15.8 million or 2.3%, compared to \$674.9 million at Fiscal 2023. The increase was mostly driven by higher long-term lease liabilities of \$14.6 million resulting from the growth in store count and the renewal of existing leases, and higher long-term debt of \$2.5 million due to the reclassification of the current portion of long-term debt in connection with the amendment of the Credit Facilities (as hereinafter defined); partially offset by a decrease in other liabilities of \$1.3 million due to the reclassification of certain cash-settled restricted and performance share units to current liabilities.

Selected Quarterly Results and Performance Measures

The following table summarizes selected results of the Company's operations for the last eight most recently completed quarters (information is in thousands of Canadian dollars unless otherwise noted). The unaudited quarterly results, excluding other performance measures, have been prepared in accordance with IFRS. Due to seasonality, the results of operations for any quarter are not necessarily indicative of the results of operations for the fiscal year. In general, the fourth quarter has the strongest volume due to the holiday season. Additionally, quarterly performance can be impacted by the timing of holidays and significant weather changes.

	Fiscal 2024				Fiscal 2023			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	13 weeks	13 weeks	13 weeks	13 weeks	13 weeks	13 weeks	13 weeks	13 weeks
IFRS Measures								
Revenue	\$295,149	\$276,030	\$265,228	\$260,786	\$286,908	\$262,294	\$256,373	\$ 250,292
Gross profit	\$100,216	\$ 89,379	\$ 87,693	\$ 87,351	\$ 98,501	\$ 87,317	\$ 92,105	\$ 87,214
Gross profit margin	34.0%	32.4%	33.1%	33.5%	34.3%	33.3%	35.9%	34.8%
Operating Income	\$ 47,872	\$ 40,356	\$ 33,796	\$ 33,299	\$ 48,265	\$ 37,370	\$ 40,224	\$ 34,867
Net income	\$ 28,905	\$ 23,158	\$ 17,839	\$ 17,518	\$ 28,765	\$ 17,976	\$ 24,078	\$ 18,729
Weighted average number of common shares (<i>in thousands</i>)	71,334	71,679	71,495	71,464	71,464	71,464	71,234	70,985
Weighted average number of diluted common shares (<i>in thousands</i>)	71,858	72,423	72,461	72,514	72,296	72,138	72,294	72,246
Basic net income per share attributable to the common shareholders	\$ 0.41	\$ 0.32	\$ 0.25	\$ 0.25	\$ 0.40	\$ 0.25	\$ 0.34	\$ 0.26
Diluted net income per share attributable to the common shareholders	\$ 0.40	\$ 0.32	\$ 0.25	\$ 0.24	\$ 0.40	\$ 0.25	\$ 0.33	\$ 0.26
Non-IFRS Measures and Supplementary Financial Measures								
System-wide sales	\$388,094	\$358,195	\$353,692	\$352,881	\$379,013	\$357,153	\$343,918	\$ 339,649
System-wide stores	824	805	799	794	783	766	758	751
Same-store sales (decline) growth	(0.2%)	(2.5%)	0.0%	0.8%	1.9%	4.2%	6.0%	9.4%
EBITDA	\$ 63,391	\$ 56,987	\$ 50,001	\$ 49,021	\$ 63,520	\$ 48,151	\$ 51,108	\$ 43,759
Adjusted EBITDA	\$ 68,173	\$ 64,599	\$ 57,731	\$ 56,580	\$ 71,256	\$ 57,167	\$ 53,817	\$ 48,798
Adjusted Net Income	\$ 32,183	\$ 29,929	\$ 25,881	\$ 25,334	\$ 39,096	\$ 28,222	\$ 26,268	\$ 22,952
Adjusted Net Income per Diluted Share	\$ 0.45	\$ 0.41	\$ 0.36	\$ 0.35	\$ 0.54	\$ 0.39	\$ 0.36	\$ 0.32

The following table provides a reconciliation of net income to EBITDA and Adjusted EBITDA for the periods indicated (in thousands unless otherwise noted):

	Fiscal 2024			Fiscal 2023			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	13 weeks	13 weeks	13 weeks	13 weeks	13 weeks	13 weeks	13 weeks
Reconciliation of net income to Adjusted EBITDA:							
Net income	\$ 23,158	\$ 17,839	\$ 17,518	\$ 28,765	\$ 17,976	\$ 24,078	\$ 18,729
Depreciation and amortization	16,531	16,479	16,119	14,999	14,187	10,904	10,628
Interest expenses, net	8,326	8,670	8,555	8,456	8,128	7,155	6,907
Income tax expense	8,972	7,013	6,829	11,300	7,860	8,971	7,495
EBITDA	56,987	50,001	49,021	63,520	48,151	51,108	43,759
Adjustments to EBITDA:							
Information technology transformation costs ⁽¹⁾	681	2,341	2,132	864	1,294	429	722
Business transformation costs ⁽²⁾	4,643	3,004	1,505	4,037	3,124	948	1,580
Other professional fees ⁽³⁾	239	302	456	225	167	349	—
Share-based compensation ⁽⁴⁾	2,149	1,809	3,069	2,866	1,025	963	1,001
(Gain) loss on foreign exchange ⁽⁵⁾	(100)	274	397	(256)	246	(113)	311
Investment in associate ⁽⁶⁾	—	—	—	—	3,160	133	1,425
Adjusted EBITDA	\$ 64,599	\$ 57,731	\$ 56,580	\$ 71,256	\$ 57,167	\$ 53,817	\$ 48,798

Notes:

- (1) Represents discrete, project-based implementation costs associated with new information technology systems and discrete SaaS arrangements for transformational initiatives supporting e-commerce and omni-channel capabilities, merchandise planning, customer relationship management and other key processes.
- (2) Represents expenses associated with supply chain (Fiscal 2024 and Fiscal 2023) and merchandise transformation initiatives (Fiscal 2024), 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. Additionally, in Q4 2023, business transformation costs include \$0.8 million of severance related expenses associated with restructuring activities in certain business support functions; in Q2 2024, \$0.2 million of expenses associated with other transformation initiatives; and in Q3 2024, \$1.1 million of expenses predominantly related to a reorganization in the senior leadership team.
- (3) Represents professional fees primarily incurred with respect to: (i) the CRA's examination of the Company's Canadian tax filings discussed in the "Income Taxes" section; and (ii) professional fees incurred with respect to the 2023 Secondary Offering, and 2024 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 gain or loss from associate, including impairment losses, and any gains or losses on the fair value of the related call option.

The following table provides a reconciliation of net income to Adjusted Net Income for the periods indicated (in thousands unless otherwise noted):

	Fiscal 2024			Fiscal 2023			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	13 weeks	13 weeks	13 weeks	13 weeks	13 weeks	13 weeks	13 weeks
Reconciliation of net income to Adjusted Net Income:							
Net income	\$ 23,158	\$ 17,839	\$ 17,518	\$ 28,765	\$ 17,976	\$ 24,078	\$ 18,729
Adjustments to net income:							
Information technology transformation costs ⁽¹⁾	681	2,341	2,132	864	1,294	429	722
Business transformation costs ⁽²⁾	5,677	5,641	4,156	9,558	6,704	948	1,580
Other professional fees ⁽³⁾	239	302	456	225	167	349	—
Share-based compensation ⁽⁴⁾	2,149	1,809	3,069	2,866	1,025	963	1,001
(Gain) loss on foreign exchange ⁽⁵⁾	(100)	274	397	(256)	246	(113)	311
Investment in associate ⁽⁶⁾	—	—	—	—	3,160	133	1,425
Tax effect of adjustments to net income	(1,875)	(2,325)	(2,394)	(2,926)	(2,350)	(519)	(816)
Adjusted Net Income	\$ 29,929	\$ 25,881	\$ 25,334	\$ 39,096	\$ 28,222	\$ 26,268	\$ 22,952

Notes:

- (1) Represents implementation costs associated with new information technology systems and discrete SaaS arrangements for transformational initiatives supporting e-commerce and omni-channel capabilities, merchandise planning, customer relationship management and other key processes.
- (2) Represents expenses associated with supply chain (Fiscal 2024 and Fiscal 2023) and merchandise transformation initiatives (Fiscal 2024), 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. From Q3 2023 onward, this also includes duplicative depreciation expense on property and equipment and right-of-use assets, and interest expense on lease liabilities. Additionally, in Q4 2023, business transformation costs include \$0.8 million of severance related expenses associated with restructuring activities in certain business support functions; in Q2 2024, \$0.2 million of expenses associated with other transformation initiatives; and in Q3 2024, \$1.1 million of expenses predominantly related to a reorganization in the senior leadership team.
- (3) Represents professional fees primarily incurred with respect to: (i) the CRA's examination of the Company's Canadian tax filings discussed in the "Income Taxes" section; and (ii) professional fees incurred with respect to the 2023 Secondary Offering, and 2024 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 gain or loss from associate, including impairment losses, and any gains or losses on the fair value of the related call option.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity and capital resources are cash generated from operating activities and borrowings under our credit facility. Our principal uses of funds are operating expenses, working capital, capital expenditures, and debt service requirements.

As at the end of Fiscal 2024, available liquidity was approximately \$210.1 million, as compared to \$158.4 million as at the end of Fiscal 2023, and was comprised of:

- Cash and cash equivalents of \$35.1 million, as compared to \$28.4 million as at the end of Fiscal 2023; and
- Available borrowings of \$175.0 million under the Revolving Facility (as hereinafter defined), as compared to \$130.0 million as at the end of Fiscal 2023.

We believe that our cash and cash equivalents combined with the expected cash flow from operations and liquidity to be available under the Credit Facilities (as hereinafter defined) will be sufficient to finance our continued operations for at least the next 12 months, including our operating expenses, capital expenditures, debt service and return to shareholders. In addition, we believe that our capital structure provides us with significant financial flexibility to pursue our future growth strategies and provide returns to shareholders, including through repurchases of common shares and increases, where appropriate, in our targeted dividend policy. However, our ability to fund operating expenses, capital expenditures, future debt service requirements, future growth strategies and return to shareholders will depend on, among other things, our future operating performance, which will be affected by general economic, financial and other factors, including factors beyond our control. See "Risk Factors" and "Summary of Factors Affecting Performance" in this MD&A.

Credit Facilities

Credit Agreement

The Company entered into a credit agreement on June 30, 2021 with a syndicate of lenders for (i) a \$355.0 million term facility and (ii) a \$130.0 million revolving credit facility, a portion of which not in excess of \$20.0 million shall be available for the issuance of letters of credit in Canadian or U.S. dollars.

On May 24, 2023, the Company amended the credit agreement to update the type of borrowing advanced at short-term floating rates. Specifically, the reference rates were modified from the LIBOR rate and the bankers' acceptance rate to the secured overnight financing rate ("SOFR") and Canadian reference rate, respectively.

On April 26, 2024, the Company completed a second amendment to the credit agreement to update the type of borrowing advanced at certain short-term floating rates. Specifically, the Canadian reference rate was modified to the Canadian Overnight Repo Rate Average ("CORRA").

On October 31, 2024, the Company completed a third amendment to the credit agreement, which provides for (i) a \$282.6 million term facility ("Term Facility") and (ii) a \$175.0 million revolving credit facility ("Revolving Facility"), a portion of which not in excess of \$20.0 million shall be available for the issuance of letters of credit in Canadian or U.S. dollars (collectively referred to as the "Credit Facilities"). The third amended and restated credit agreement extended the maturity date of the Credit Facilities to October 31, 2029 and for the Term Facility to require mandatory quarterly principal repayments only when the net total leverage ratio reaches a certain threshold. The Term Facility also contains mandatory prepayment provisions with respect to non-ordinary course asset sales, excess cash flow and issuances

of debt obligations (excluding debt permitted to be incurred under the credit agreement) by the Company and its subsidiaries (in each case, subject to customary thresholds, qualifications and exceptions set forth in the credit agreement). Voluntary prepayments of the Term Facility are permitted at any time (subject to minimum repayment amounts and customary notice periods set forth in the credit agreement) without premium or penalty (other than customary “breakage” costs, if applicable) and will reduce the scheduled principal repayments, if applicable. The credit agreement provides that amounts under the Revolving Facility may be borrowed, repaid and re-borrowed.

Management determined that the third amendment constituted a modification of long-term debt. As a result, the Company has recorded a gain on debt modification of \$1.0 million in interest expenses, net, in the consolidated statements of income and comprehensive income for Fiscal 2024. The Company also incurred deferred financing costs of \$2.0 million which will be amortized over the term of the amended agreement.

Borrowings under the Credit Facilities will bear interest, according to the type of borrowing advanced, at short-term floating rates based on a reference rate (CORRA, the U.S. base rate, the Canadian prime rate, or SOFR as applicable), plus a margin per annum depending on the Company’s net total leverage ratio. As at the end of Fiscal 2024, the interest rate in effect on the Credit Facilities was 5.40% (Fiscal 2023 — 7.58%).

As at the end of Fiscal 2024, the aggregate amount outstanding under the Term Facility and Revolving Facility was \$282.6 million and \$nil, respectively.

The obligations under the Credit Facilities are unconditionally guaranteed by the Company and are secured by a charge over substantially all of the property and assets of the Company.

The third amended and restated credit agreement contains affirmative and negative covenants customary for credit facilities of this nature, subject to certain exceptions. The credit agreement also contains certain financial covenants to be complied with over the term of the Credit Facilities, specifically, a net total leverage ratio and a net first lien leverage coverage ratio that must be no greater than 5 times and 4.25 times, respectively, of consolidated EBITDA as defined in the credit agreement. Additionally, an interest coverage ratio of not less than 3 times of consolidated EBITDA, as defined in the credit agreement, must be maintained. The covenants are tested for compliance at the end of each quarter. As at Fiscal 2024 and Fiscal 2023, the Company was in full compliance with all of its covenants, and there was no indication that it will have difficulty complying with these covenants in the future.

Deferred financing costs

In connection with the credit agreement and subsequent amendments, total deferred financing costs of \$7.6 million were incurred. The total unamortized deferred financing costs were \$3.6 million as at the end of Fiscal 2024 (Fiscal 2023 — \$2.7 million) and are being amortized using the effective interest method. These amounts were included as interest expenses.

Cash Flows

The following table presents cash flows for the periods indicated:

	Quarters Ended		Fiscal Year Ended	
	December 28, 2024	December 30, 2023	December 28, 2024	December 30, 2023
	13 weeks	13 weeks	52 weeks	52 weeks
Net cash provided by operating activities	\$ 67,737	\$ 55,214	\$ 200,076	\$ 135,344
Net cash used in financing activities	(63,514)	(36,669)	(183,825)	(153,777)
Net cash used in investing activities	(3,899)	(1,676)	(8,522)	(16,154)
Effect of exchange rate changes on cash	(613)	234	(1,032)	(3)
Net (decrease) increase in cash	\$ (289)	\$ 17,103	\$ 6,697	\$ (34,590)

Analysis of Cash Flow for Q4 2024 and Fiscal 2024

Net cash provided by operating activities:

For Q4 2024, net cash provided by operating activities totalled \$67.7 million, an increase of \$12.5 million, compared to net cash provided by operating activities of \$55.2 million in Q4 2023. The increase is explained by a combined \$5.6 million net change in operating working capital comprised of a \$9.2 million increase in net operating working capital in Q4 2024 compared to an increase of \$3.6 million in Q4 2023. The change is primarily explained by: (i) higher accounts payable and accrued liabilities due to higher non-trade related payables and timing of payments; partially offset by (ii) higher net change in inventory due to the timing of purchases; and (iii) higher receivables related to franchisee billings due to timing and growth in network, and construction and renovation of franchise stores. The remaining increase was due to lower income tax payments of \$7.0 million partially offset by lower net income of \$0.1 million (adjusted for items not involving cash).

For Fiscal 2024, net cash provided by operating activities totalled \$200.1 million, an increase of \$64.7 million, compared to net cash provided by operating activities of \$135.3 million in Fiscal 2023. The increase is explained by lower income tax payments of \$25.2 million and \$10.1 million of higher net income (adjusted for items not involving cash). The remaining increase is explained by a combined \$29.4 million net change in operating working capital comprised of a \$5.6 million increase in net operating working capital in Fiscal 2024 compared to a decrease of \$23.8 million in Fiscal 2023. The change is explained by: (i) higher accounts payable and accrued liabilities due to higher non-trade related payables and timing of payments; (ii) lower prepaids due to the timing of lease payments; (iii) lower net change in inventory due to the timing of purchases; partially offset by (iv) higher receivables related to franchisee billings and trade receivables due to timing and growth in network.

Net cash used in financing activities:

For Q4 2024, net cash used in financing activities totalled \$63.5 million, compared to net cash used in financing activities of \$36.7 million in Q4 2023. The increase is primarily driven by: (i) consideration paid to repurchase common shares for cancellation; and (ii) higher principal and interest payments on lease liabilities due to store network expansion and the new MVR distribution centre; partially offset by (iii) no quarterly principal repayment on the Term Facility in the current period as a result of the amended credit agreement.

For Fiscal 2024, net cash used in financing activities totalled \$183.8 million, compared to net cash used in financing activities of \$153.8 million in Fiscal 2023. The increase is primarily driven by: (i) consideration paid to repurchase common shares for cancellation; (ii) higher principal and interest

payments on lease liabilities due to the new GTA and MVR distribution centres, existing lease renewals and store network expansion; and (iii) higher interest payments on long-term debt due to the timing of payments; partially offset by (iv) a \$28.0 million voluntary repayment of amounts drawn on the Term Facility in the comparative period.

Net cash used in investing activities:

For Q4 2024, net cash used in investing activities totalled \$3.9 million, compared to net cash used in investing activities of \$1.7 million in Q4 2023. The increase is explained by: (i) higher Net Capital Expenditures⁽¹⁾ of \$3.4 million due to higher expenditures on store network expansion and construction in progress for the new Calgary distribution centre and lower proceeds on disposal of property and equipment from the sale of corporate-owned stores to franchisees; partially offset by (ii) higher principal and interest payments collected on lease receivables.

For Fiscal 2024, net cash used in investing activities totalled \$8.5 million, compared to net cash used in investing activities of \$16.2 million in Fiscal 2023. This decrease is explained by: (i) higher principal and interest payments collected on lease receivables; (ii) a contingent consideration payment to the sellers of Chico in the comparative period; partially offset by (iii) repurchase of franchises. Net Capital Expenditures were \$52.3 million in Fiscal 2024 and Fiscal 2023.

⁽¹⁾ Net Capital Expenditures were \$14.8 million in Q4 2024 and \$11.4 million in Q4 2023. Net Capital Expenditures is a non-IFRS measure. Non-IFRS measures are not determined in accordance with IFRS, do not have standardized meanings and may not be comparable to similar financial measures presented by other companies. See "How We Assess the Performance of Our Business" for the definition of Net Capital Expenditures.

Free Cash Flows

The following table presents free cash flows for the periods indicated (in thousands unless otherwise noted).

	Quarters Ended		Fiscal Year Ended	
	December 28, 2024	December 30, 2023	December 28, 2024	December 30, 2023
	13 weeks	13 weeks	52 weeks	52 weeks
Cash provided by operating activities	\$ 67,737	\$ 55,214	\$ 200,076	\$ 135,344
Cash used in investing activities	(3,899)	(1,676)	(8,522)	(16,154)
Repayment of principal on lease liabilities	(16,790)	(13,876)	(64,898)	(52,944)
Interest paid on lease liabilities	(5,915)	(5,347)	(23,409)	(16,498)
Notes receivable	(93)	(38)	(598)	(1,088)
Free Cash Flow	\$ 41,040	\$ 34,277	\$ 102,649	\$ 48,660

Analysis of Free Cash Flow for Q4 2024 and Fiscal 2024

Free cash flows amounted to \$41.0 million in Q4 2024 compared to \$34.3 million in Q4 2023, an increase of \$6.8 million primarily driven by an increase in cash from operating activities; partially offset by an increase in payments of principal and interest on lease liabilities due to the new MVR distribution centre and store network expansion, and an increase in cash used for investing activities.

Free cash flows amounted to \$102.6 million in Fiscal 2024 compared to \$48.7 million in Fiscal 2023, an increase of \$54.0 million primarily driven by an increase in cash from operating activities and a decrease in cash used for investing activities; partially offset by an increase in payments of principal and interest on lease liabilities due to the new GTA and MVR distribution centres, and store network expansion.

Contractual Obligations, Guarantees, and Contingencies

The following table summarizes our significant undiscounted maturities of our contractual obligations and commitments as at the end of Fiscal 2024.

	Fiscal 2025	Fiscal 2026	Fiscal 2027	Fiscal 2028	Fiscal 2029	Thereafter	Total
Accounts payable and accrued liabilities	\$ 105,757	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 105,757
Lease liabilities	99,562	84,722	75,431	61,315	60,623	187,536	569,189
Long-term debt	—	—	—	—	282,625	—	282,625
Lease commitments with future commencement dates ⁽¹⁾	1,000	3,000	3,000	3,000	3,000	19,000	32,000
Purchase obligations ⁽²⁾	3,078	—	—	—	—	—	3,078
Total contractual obligations	\$ 209,397	\$ 87,722	\$ 78,431	\$ 64,315	\$ 346,248	\$ 206,536	\$ 992,649

Notes:

⁽¹⁾ Represents lease commitments related to the new distribution centre in Calgary. The Company entered into a lease agreement on October 18, 2024 and the lease is for an initial term of 10 years commencing March 1, 2025.

⁽²⁾ Represents purchase obligations to procure certain equipment for the new MVR and Calgary distribution centres.

Bank comfort letters

The Company has provided comfort letters to certain financial institutions at their request when these financial institutions provide financing to new franchisees. In the comfort letters, the Company has agreed that for three years from the date of the letter, if the bank is forced to realize on its security, including inventory held by the franchisee, the Company will repurchase the inventory previously sold to the franchisee at a stated discount of 15%, provided that such inventory can be sold by the bank to the Company free and clear of any and all liens, charges and encumbrances or rights of others.

Standard practice is for the Company to realize its rights under the franchise agreement prior to the franchisee reaching default under their finance arrangement; therefore, the risk associated with being required to repurchase inventory under these comfort letters is considered remote. Accordingly, no amount has been provided for in the accompanying consolidated financial statements.

Litigation

The Company may, from time to time, be named as a defendant in legal proceedings that arise from its normal course of business. Although the amount of any liability that could arise with respect to any pending claims cannot be estimated, the Company believes that any such liability is not reasonably likely to have a material adverse effect on its financial position, operating results, or liquidity.

Income Taxes

The Company is subject to routine audits of its tax filing positions by the Canada Revenue Agency ("CRA"). In September 2023, the CRA reassessed the Company an additional approximately \$6.0 million of income tax plus interest in respect of the Company's 2018 taxation year on the basis that certain interest expenses incurred in that year were not deductible ("2018 reassessment"). In April 2024, the Company received proposal letters from the CRA proposing to deny the deduction of certain interest expenses incurred by the Company in the 2019 and 2020 taxation years on a basis consistent with the 2018 reassessment. In June 2024, the CRA reassessed the Company an additional approximately \$6.4 million of income tax plus interest in respect of the Company's 2019 taxation year ("2019 reassessment"). In January 2025, the Company received a further proposal from the CRA to reassess the Company to

deny the deduction of certain intercompany dividends in the 2016, 2017 and 2018 taxation years. The Company estimates that such reassessments would give rise to a potential additional exposure of approximately \$20.4 million, plus interest. The January 2025 proposal also indicated that the CRA will not be proceeding with the April 2024 proposal to deny interest deductions for the 2020 taxation year. The Company has filed objections to, and intends to vigorously contest, the 2018 reassessment and the 2019 reassessment, and intends similarly to contest any reassessment described in the January 2025 proposal. The Company and its tax advisors believe that the Company's tax filing positions are appropriate. Accordingly, no amount or provision has been recorded in the consolidated financial statements in respect of the 2018 reassessment, the 2019 reassessment or the January 2025 proposal.

Related Party Transactions

Product sourcing and brand license agreement

During the 52-week fiscal year ended January 1, 2022, the Company entered into a product sourcing and brand license agreement with a former subsidiary, pursuant to which the Company sources certain pet food and pet supply products licensed under the Company's proprietary brands in consideration of a sourcing fee. This agreement terminates on August 9, 2027 and automatically renews for successive 18-month periods unless terminated earlier. The Company earned sourcing fees of \$0.6 million for Fiscal 2024 under the product sourcing and brand license agreement (Fiscal 2023 — \$1.0 million). The former subsidiary is no longer a related party as of December 16, 2024.

Share Information

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. The holders of common shares are entitled to receive dividends as declared from time to time by the Board of Directors. Shareholders are entitled to one vote per common share at shareholder meetings of the Company.

Preferred shares of each series, if and when issued, will, with respect to the payment of dividends, be entitled to preference over common shares. Except as provided in any special rights or restrictions attaching to any series of preferred shares issued from time to time, the holders of preferred shares will not be entitled to vote at any shareholder meetings of the Company.

During Fiscal 2024, the Company repurchased 1,139,037 common shares for cancellation under the 2023 NCIB and 2024 NCIB (amounting to 691,875 common shares repurchased under the 2023 NCIB and 447,162 common shares repurchased under the 2024 NCIB) for total cash consideration of \$30.0 million. Subsequent to Fiscal 2024 and up to March 3, 2025, under the 2024 NCIB, the Company repurchased and cancelled 349,816 common shares.

As at March 3, 2025, there were 70,575,696 common shares and 2,483,220 share options, each exercisable for one common share, issued and outstanding.

For further details concerning the rights, privileges and restrictions attached to the common shares, please refer to the section entitled "Description of Share Capital" in the AIF.

Dividends

Subject to financial results, capital requirements, available cash flow, the need for funds to finance ongoing operations and other factors that the Board of Directors may consider relevant, it is the intention of the Board of Directors to declare a quarterly cash dividend. It is expected that future cash dividend payments will be made to common shareholders of record as at a date to be determined by the

Board of Directors. The actual payment, amount and timing of any dividends are not guaranteed and are subject to the discretion of our Board of Directors. See “Risk Factors” in this MD&A.

During Fiscal 2024, the Company paid \$31.5 million in dividends to holders of common shares or \$0.44 per common share (Fiscal 2023 — \$28.5 million or \$0.40 per common share; and Fiscal 2022 — \$16.9 million or \$0.24 per common share).

Critical Accounting Estimates and Judgments

The critical accounting estimates and judgments as disclosed in the Company’s audited consolidated financial statements and accompanying notes for Fiscal 2024 have been applied consistently in the preparation of this MD&A.

Risk Factors

For a detailed description of risk factors relating to the Company, please refer to the “Risk Factors” section of the Company’s AIF, which is available on SEDAR+ at www.sedarplus.ca.

The Company’s activities expose it to a variety of financial risks: credit risk, liquidity risk, foreign currency risk, and interest rate risk. The Company’s overall risk management program and business practices seek to minimize any potential adverse effects on the Company’s consolidated financial performance. Risk management is carried out by the senior management team under policies approved by the Company’s Board of Directors.

Foreign Currency Risk

The Company is exposed to currency risk related to some of its purchases. Specifically, the Company sources some of its merchandise in U.S. dollars. Inventory purchases sourced outside Canada and primarily denominated in U.S. dollars represented approximately 23% on a trailing 12-month basis as at the end of Fiscal 2024.

The Company is also exposed to currency risks on financial assets and liabilities denominated in foreign currencies. These assets and liabilities are of a short-term nature and management does not believe they represent a significant risk to the Company. As a result of the revaluation of these financial assets and liabilities, a five-percentage point change in the Canadian dollar against the U.S. dollar, assuming that all other variables are constant, would have changed income before income taxes for Fiscal 2024 by \$0.7 million (Fiscal 2023 — \$0.4 million) as a result of the revaluation on these financial assets and liabilities.

Interest Rate Risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Term Facility is at variable interest rates. Changes in short-term floating rates can cause fluctuations in interest payments and cash flows.

A one percentage point change in the applicable interest rate in the credit agreement based on the debt outstanding as at Fiscal 2024 would have changed income before taxes for Fiscal 2024 by \$2.8 million (Fiscal 2023 — \$3.0 million).

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company’s cash and cash equivalents, accounts and other receivables, and lease receivables. The risk on cash and cash

equivalents is mitigated by the fact that its deposits are with various high-quality financial institutions. The Company has receivables from its suppliers and from the Company's franchise operators. The credit risk on its receivables from suppliers is managed by the ability to offset any monies owed by the supplier against amounts owed to the suppliers. The management of credit risk on the Company's franchisee accounts receivable and lease receivable is maintained by having short settlement terms on these receivables and prior to accepting a franchisee, the Company undertakes a detailed screening process that includes the requirement that a franchisee has sufficient financing.

Liquidity Risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come due. The Company mitigates liquidity risk by the management of working capital and cash flows, and by maintaining various financing sources, including bank debt and finance leases. Adequate availability is maintained on the operating loan component of the Company's credit facility to minimize this risk. The Company's trade and other payables are all due within 12 months of each reporting period.

Recent Accounting Pronouncements

Adoption of new accounting standards and amendments

In January 2020, the IASB issued *Classification of Liabilities as Current or Non-current*, which amends IAS 1, *Presentation of Financial Statements* ("IAS 1"). The narrow-scope amendments affect only the presentation of liabilities in the statements of financial position and not the amount or timing of their recognition. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. They also introduce a definition of "settlement" to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. In October 2022, the IASB issued further amendments to IAS 1 that aim to improve the information companies provide about long-term debt with covenants. The amendments to IAS 1 specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements. The Company has adopted these amendments in its consolidated financial statements for the period ended December 28, 2024. There was no impact on the consolidated financial statements, with the exception of additional disclosures. For additional information, refer to Note 11 in the consolidated financial statements for the period ended December 28, 2024.

In September 2022, the IASB issued *Lease Liability in a Sale and Leaseback*, which amends IFRS 16, *Leases*. The narrow-scope amendments add to requirements explaining how to account for a sale and leaseback after the date of the transaction. These amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction. The Company has adopted these amendments in its consolidated financial statements for the period ended December 28, 2024. There was no impact on the consolidated financial statements.

Accounting standards and amendments issued but not yet adopted

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure of Financial Statements* ("IFRS 18"), which replaces IAS 1. IFRS 18 introduces new requirements on presentation within the statement of income or loss, including specified totals and subtotals, disclosure of management-defined performance measures, and aggregation and disaggregation of financial information based on identified roles of the primary financial statements and the notes. In addition, narrow-scope amendments have been made to IAS 7, *Statement of Cash Flows* ("IAS 7"), which include changing the starting point for determining cash flows from operations under the indirect method and the removal of the optionality around the classification of cash flows from dividends and interest. Some requirements previously

included in IAS 1 have been moved to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, which has also been renamed to IAS 8, *Basis of Preparation of Financial Statements*. IAS 34, *Interim Financial Reporting*, was also amended to require the disclosure of management-defined performance measures. Minor consequential amendments to other standards were also made. The amendments are effective for reporting periods beginning on or after January 1, 2027. Earlier application is permitted. The Company is currently assessing the potential impact of IFRS 18 and the narrow-scope amendments.

In May 2024, the IASB issued narrow-scope amendments to the classification and measurement requirements in IFRS 9, *Financial Instruments* ("IFRS 9"), and disclosures in IFRS 7, *Financial Instruments: Disclosures* ("IFRS 7"). The amendments clarify the classification of financial assets with environmental, social and corporate governance linked features, and other similar contingent features, including how to assess the contractual cash flow characteristics. The amendments also clarify the date on which a financial asset or financial liability is derecognized. Furthermore, for financial liabilities settled, in full or in part, in cash using an electronic payment system, an entity is permitted to make an accounting policy election to derecognize the liability before the settlement date if certain conditions are met. In addition, the IASB introduced additional disclosure requirements to enhance transparency for investors regarding investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Earlier adoption is permitted for certain amendments. The Company is currently assessing the potential impact of the narrow-scope amendments.

In July 2024, the IASB issued nine narrow-scope amendments as part of its regular maintenance of the standards. These amendments include clarifications, simplifications, corrections, and changes aimed at improving the consistency of IFRS 1, *First-time Adoption of International Financial Reporting Standards*; IFRS 7; IFRS 9; IFRS 10, *Consolidated Financial Statements*; and IAS 7. The amendments are effective for annual reporting periods beginning on or after January 1, 2026. Earlier adoption is permitted. The Company is currently assessing the potential impact of the narrow-scope amendments.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management, including its certifying officers, namely the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding public disclosure. An evaluation of the design of the Company's disclosure controls and procedures, as defined under National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), was carried out under the supervision of the CEO and CFO and with the participation of the Company's management. Based on that evaluation, the CEO and CFO have concluded that the design and operation of these controls were effective as at December 28, 2024.

The Company also maintains a system of internal controls over financial reporting designed under the supervision of the Company's CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. As required by NI 52-109, the CEO and the CFO have caused the effectiveness of the internal controls over financial reporting to be evaluated using the framework (2013) established by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that evaluation, the CEO and the CFO have concluded that the design and operation of the Company's internal controls over financial reporting, as defined by NI 52-109, was effective as at December 28, 2024.

Subsequent Events

On March 3, 2025, the Board of Directors of the Company declared a dividend of \$0.12 per common share payable on April 15, 2025 to holders of common shares of record as at the close of business on March 31, 2025.

Outlook

Fiscal 2025 will be a 53-week fiscal year for Pet Valu, compared to a 52-week fiscal year in Fiscal 2024. Including the impact of the 53rd week of operation in Fiscal 2025, the Company expects:

- Revenue between \$1.17 and \$1.20 billion, supported by approximately 40 new store openings, same-store sales growth between 1% and 4% and higher wholesale merchandise sales penetration;
- Adjusted EBITDA between \$254 and \$260 million, which incorporates continued price investments and normalization of operating expenses;
- Adjusted Net Income per Diluted Share between \$1.60 and \$1.66, which incorporates approximately \$12 million pre-tax, or \$0.12 per diluted share, of incremental depreciation and lease liability interest expense associated with the new distribution centres;
- Business and information technology transformation costs of approximately \$13 million pre-tax, and share-based compensation of approximately \$11 million pre-tax, both of which are excluded from Adjusted EBITDA and Adjusted Net Income per Diluted Share; and
- Net Capital Expenditures of approximately \$35 million.

The Company is closely monitoring the evolving governmental foreign trade environment and believes it has the appropriate mechanisms in place to adapt, as necessary. The above Outlook is based on several assumptions, including, but not limited to, governmental foreign trade policies similar to Fiscal 2024.

Additional Information

Additional information relating to the Company, including the Company's AIF, is available on SEDAR+ at www.sedarplus.ca. The Company's common shares are listed for trading on the Toronto Stock Exchange under the symbol "PET".