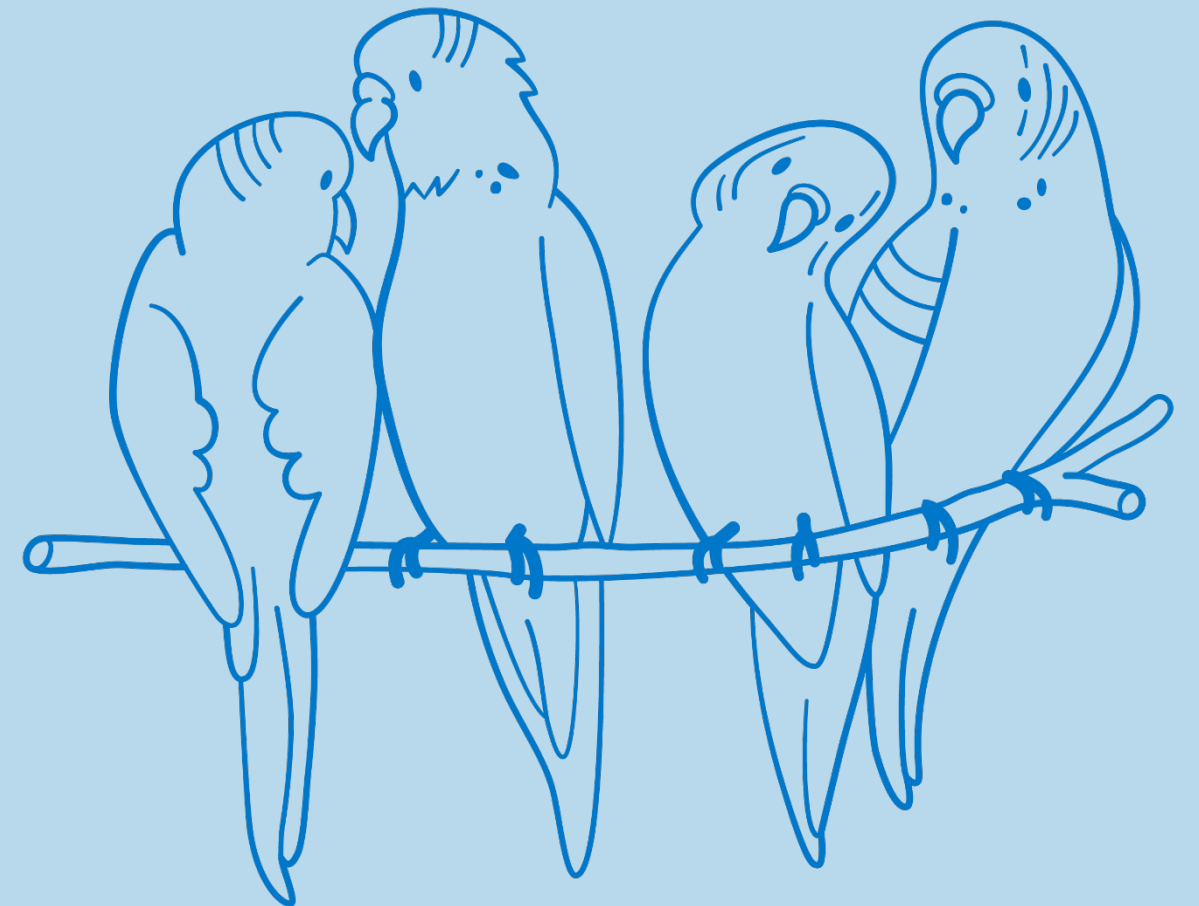


Q4 2023 Financial & Operating Review

For 13-week period ended Dec. 30, 2023



Disclaimers

Forward-Looking Information

This presentation contains forward-looking information. Forward-looking information is provided as of the date of this presentation and is based on management's opinions, estimates and assumptions in light of its experience and perception of historical trends, current trends, current conditions and expected future developments, as well as other factors that management believes appropriate and reasonable in the circumstances. Particularly, information regarding the Company's 2024 outlook and expectations, intentions or projections of future results, performance, achievements, prospects, opportunities or the markets in which the Company operates is forward-looking information. To the extent any forward-looking information in this presentation constitutes future-oriented financial information, within the meaning of applicable securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Pet Valu does not undertake to update any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada.

Many factors could cause the Company's actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking information, including, without limitation, the factors discussed in the "Risk Factors" section in our most recent annual information form ("AIF") dated March 4, 2024, which 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 forward-looking information contained in this presentation is expressly qualified by this cautionary statement.

Non-International Financial Reporting Standards ("IFRS") and Supplementary Financial Measures and Non-IFRS Ratios

This presentation makes reference to certain non-IFRS measures and non-IFRS ratios. These measures and ratios are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. Pet Valu uses non-IFRS measures, including "EBITDA", "Adjusted EBITDA", "Adjusted Net Income", "Net Capital Expenditures" and "Free Cash Flow" and non-IFRS ratios, including "Adjusted EBITDA Margin" and "Adjusted Net Income per Diluted Share". Reconciliations of these non-IFRS measures (except for Net Capital Expenditures) are presented in the Appendix. This presentation also makes reference to certain supplementary financial measures that are commonly used in the retail industry, including "System-wide sales", "Same-store sales growth", "Same-store transaction growth", and "Same-store average spend per transaction growth." These non-IFRS measures, non-IFRS ratios and supplementary financial measures are used to provide investors with supplemental measures of Pet Valu's operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures, non-IFRS ratios and these supplementary financial measures in the evaluation of issuers. Management uses non-IFRS measures and non-IFRS ratios 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 Management's Discussion and Analysis ("MD&A") for the fiscal year ended December 30, 2023, and AIF dated March 4, 2024, for further information on non-IFRS measures, non-IFRS ratios (including each non-IFRS measure that is used as a component of such non-IFRS ratios) and supplementary financial measures, including for their definition and, for non-IFRS measures, a reconciliation to the most comparable IFRS measure (except for Net Capital Expenditures).

Today's Presenters



Richard Maltsbarger
President & Chief Executive Officer



Linda Drysdale
Chief Financial Officer

Our Mission

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



Q4 2023 Highlights



+8%

**Revenue
Growth**

(to \$287 million)

17

**New Store
Openings**

(39 year-to-date)

+20%

**Adjusted EBITDA
Growth**

(to \$71 million)

11

**Renovations, Expansions
or Relocations**

(40 year-to-date)

+26%

**Adjusted Net Income
Growth**

(+11% Net Income)

First

**ESG Report
Published**

Note: Adjusted EBITDA and Adjusted Net Income are non-IFRS measures. Refer to “Disclaimers – Non-IFRS and Supplementary Financial Measures and Non-IFRS Ratios” and the Appendix for a reconciliation of certain non-IFRS measures and ratios.

Our Key Focuses



Local & Everywhere Pet Specialty Retailer

- Opening new stores across Canada
- Continual renovations, expansions and relocations
- Growing our franchisee community
- Enhancing our digital capabilities



Best Pet Customer Experience in Canada

- Offering compassionate, expert in-store customer service
- Curating an attractive, premium product offering
- Expanding our proprietary brand selection and value
- Enhancing our loyalty program



Strong Wholesale & Retail Fundamentals

- Transforming our supply chain
- Modernizing back-office systems and infrastructure
- Optimizing in-store and corporate operating processes



Delivering Strong Free Cash Flow and Return on Invested Capital

Note: Free cash flow is a non-IFRS measure. Refer to "Disclaimers – Non-IFRS and Supplementary Financial Measures and Non-IFRS Ratios" and the Appendix for a reconciliation of certain non-IFRS measures.

Q4 2023 Key Financial Metrics

	Q4 2023	vs. PY ²	Drivers
System-Wide Sales	\$379.0	+5.1%	<ul style="list-style-type: none"> Positive SSSG, 39 new stores in last 12 months
Same-Store Sales Growth	+1.9%	---	<ul style="list-style-type: none"> Basket¹ +3.0% and Traffic¹ (1.1%)
Revenue	\$286.9	+7.8%	<ul style="list-style-type: none"> Similar to system-wide sales growth
Gross Margin	34.3%	(190 bps)	<ul style="list-style-type: none"> +30 bps excluding supply chain transformation due to favourable product margins and higher franchisee fees, partially offset by lapping of vendor recoveries, higher discounts and unfavourable FX
Adjusted EBITDA	\$71.3	+20.2%	<ul style="list-style-type: none"> Top-line growth, SG&A expense leverage, and higher margins
Adjusted EBITDA Margin	24.8%	+250 bps	
Adjusted Net Income	\$39.1	+25.6%	
Adj. Net Income per Diluted Share	\$0.54	+25.6%	
Net Income	\$28.8	+11.1%	

¹Basket refers to same-store average spend/transaction growth, traffic refers to same-store transaction growth. ² PY refers to Q4 2022.

Note: All figures in millions, except per share amounts. Adjusted EBITDA Margin and Adjusted Net Income per Diluted Share are non-IFRS ratios, and System-wide Sales, Same-Store Sales Growth Same-Store Average Spend/Transaction Growth, and Same-Store Transaction Growth are supplementary financial measures. Please see “Disclaimers – Non-IFRS and Supplementary Financial Measures and Non-IFRS Ratios” and the Appendix for a reconciliation of certain non-IFRS measures.

Q4 2023 Key Financial Metrics



Cash

\$28.4M

plus \$130M revolver capacity

Free Cash Flow

\$34.3M

vs. \$25.0M in Q4 2022

Long-term Debt

\$293.2M

(-13%) vs. Q4 2022

Net Leverage Ratio¹

2.3x

vs. 2.2x to Q3 2023

Inventory

\$122.1M

+3% vs. Q4 2022

Net Capital Expenditures

\$11.4M

\$52.3M year-to-date

¹Net Leverage Ratio = Net Debt (incl. leases) / LTM Adjusted EBITDA.

Note: Net Capital Expenditures is a non-IFRS measure. Please see “Disclaimers – Non-IFRS and Supplementary Financial Measures and Non-IFRS Ratios” and the Appendix for a reconciliation of certain non-IFRS measures (except for Net Capital Expenditures).

2024 Outlook



	2024	Growth from FY 2023
Revenue <i>...supported by...</i>	\$1.11-1.14B	+5 to +8%
<i>Same-Store Sales Growth</i>	<i>+2-5%</i>	<i>---</i>
<i>New Store Openings</i>	<i>40-50</i>	<i>+5 to +6%¹</i>
Adjusted EBITDA	\$248-254M	+7 to +10%
Adjusted Net Income per Diluted Share	\$1.57-1.63	(2%) to +1%
Net Capital Expenditures	~\$55M	+\$3M

¹ Represents growth in total store count from 783 stores as of December 30, 2023.

Appendix



Reconciliation of Adjusted EBITDA

	Quarters Ended	
	Dec. 30, 2023 (13 weeks)	Dec. 31, 2022 (13 weeks)
Net income	\$28,765	\$25,881
Depreciation & amortization	14,999	10,332
Interest expense, net	8,456	6,429
Income taxes expense	11,300	9,782
EBITDA	63,520	52,424
<i>Adjustments to EBITDA:</i>		
IT transformation costs ⁽¹⁾	864	1,984
Business transformation costs ⁽²⁾	4,037	1,482
Other professional fees ⁽³⁾	225	714
Share-based compensation ⁽⁴⁾	2,866	1,930
Asset impairments ⁽⁵⁾	—	448
Gain (loss) on foreign exchange ⁽⁶⁾	(256)	180
Investment in associate ⁽⁷⁾	—	139
Adjusted EBITDA	\$71,256	\$59,301
Adjusted EBITDA Margin (% of revenue)	24.8%	22.3%

- (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 merchandise planning, inventory and order management, e-commerce and omni-channel capabilities, customer relationship management and other key processes
- (2) Represents expenses associated with supply chain transformation initiatives 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 2023 were \$2.4 million (Q4 2022 – \$nil). The expenses included in selling, general, and administrative expenses were \$0.8 million in Q4 2023 (Q4 2022 – \$1.5 million). Additionally, business transformation costs include \$0.8M of severance related expenses associated with restructuring activities in certain business support functions in Q4 2023 (Q4 2022 – \$nil).
- (3) Professional fees primarily incurred with respect to: (i) the Canada Revenue Agency's ("CRA") examination of the Company's Canadian tax filings for the 2016 fiscal year and in Fiscal 2023 for the 2018 fiscal year; (ii) acquisition and integration costs incurred in relation to Chico in Fiscal 2022; and (iii) professional fees incurred with respect to the secondary offering of the Company's common shares completed by its principal shareholders on a bought deal basis on November 17, 2022 (the "2022 Secondary Offering") and the secondary offering of the Company's common shares completed by its principal shareholders on a bought deal basis on June 1, 2023 (the "2023 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) Non-cash impairment charge taken against certain right-of-use assets for closed or relocated corporate-owned stores.
- (6) Represents foreign exchange gains and losses.
- (7) Represents the Company's share of loss from associate of \$nil for Q4 2023 (Q4 2022 – \$0.2 million) and loss or (gain) on the fair value of the related call option for Q4 2023 of \$nil (Q4 2022 – \$(0.1) million).

Notes: All figures in thousands; These non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective. EBITDA and Adjusted EBITDA are non-IFRS measures and Adjusted EBITDA Margin is a non-IFRS ratio and are used by management to facilitate a comparison of our operating performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting our business.

Reconciliation of Adjusted Net Income

	Quarters Ended	
	Dec. 30, 2023 (13 weeks)	Dec. 31, 2022 (13 weeks)
Net income	\$28,765	\$25,881
<i>Adjustments to Net Income:</i>		
IT transformation costs ⁽¹⁾	864	1,984
Business transformation costs ⁽²⁾	9,558	1,482
Other professional fees ⁽³⁾	225	714
Share-based compensation ⁽⁴⁾	2,866	1,930
Asset impairments ⁽⁵⁾	—	448
Loss (gain) on foreign exchange ⁽⁶⁾	(256)	180
Investment in associate ⁽⁷⁾	—	139
Tax effect of adjustments to net income	(2,926)	(1,631)
Adjusted Net Income	\$39,096	\$31,127
Adjusted Net Income per Diluted Share	\$0.54	\$0.43

- (1) Represents discrete, project-based implementation costs associated with new information technology systems and discrete SaaS arrangements for transformational initiatives supporting merchandise planning, inventory and order management, e-commerce and omni-channel capabilities, customer relationship management and other key processes.
- (2) Represents expenses associated with supply chain transformation initiatives 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 2023 were \$6.3 million (Q4 2022 – \$nil). The expenses included in selling, general, and administrative expenses were \$0.8 million in Q4 2023 (Q4 2022 – \$1.5 million). The interest expense on the lease liability in Q4 2023 were \$1.7 million (Q4 2022 – \$nil). Additionally, business transformation costs include \$0.8M of severance related expenses associated with restructuring activities in certain business support functions in Q4 2023 (Q4 2022 – \$nil).
- (3) Professional fees primarily incurred with respect to: (i) the CRA's examination of the Company's Canadian tax filings for the 2016 fiscal year and in Fiscal 2023 for the 2018 fiscal year; (ii) acquisition and integration costs incurred in relation to Chico in Fiscal 2022; and (iii) professional fees incurred with respect to the 2022 Secondary Offering and 2023 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) Non-cash impairment charge taken against certain right-of-use assets for closed or relocated corporate-owned stores.
- (6) Represents foreign exchange gains and losses.
- (7) Represents the Company's share of loss from associate of \$nil for Q4 2023 (Q4 2022 – \$0.2 million) and loss or (gain) on the fair value of the related call option for Q4 2023 of \$nil (Q4 2022 – \$(0.1) million).

Notes: All figures in thousands; These non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective.

Adjusted Net Income is a non-IFRS measure and Adjusted Net Income per Diluted Shares is a non-IFRS ratio, both of which are used by management to facilitate a comparison of our operating performance on a consistent basis from period-to-period and to provide for a more complete understanding of factors and trends affecting our business.

Reconciliation of Free Cash Flow

	Quarters Ended	
	Dec. 30, 2023 (13 weeks)	Dec. 31, 2022 (13 weeks)
Cash provided by operating activities	\$55,214	46,940
Cash (used in) provided by investing activities	(1,676)	(11,429)
Repayment of principal on lease liabilities	(13,876)	(7,371)
Interest paid on lease liabilities	(5,347)	(3,065)
Notes receivables	(38)	(55)
Free Cash Flow	\$34,277	\$25,020

Notes: All figures in thousands; These non-IFRS measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective.

Free Cash Flow is a non-IFRS measure and is a key metric as an indicator of how much cash is available for debt repayment, share repurchases, re-investment in the Company and other financing activities.

Thank You

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