

petvalu[®]

Paulmac's
Pets[®]

bosley's[®]
BY PET VALU

Tisol[®]
Pet Nutrition & Supply Stores

Total Pet

Chico

Investor Presentation

May 2022



Disclaimers

Forward-Looking Information

This presentation contains forward-looking information. Forward-looking information is provided as of the date of this presentation and is based on management's opinions, estimates and assumptions in light of its experience and perception of historical trends, current trends, current conditions and expected future developments, as well as other factors that management believes appropriate and reasonable in the circumstances. Particularly, information regarding the Company's 2022 outlook and expectations, intentions or projections of future results, performance, achievements, prospects, opportunities or the markets in which the Company operates is forward-looking information. To the extent any forward-looking information in this presentation constitutes future-oriented financial information, within the meaning of applicable securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Pet Valu does not undertake to update any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada.

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Non-IFRS and Supplementary Financial Measures

This presentation makes reference to certain non-IFRS measures and non-IFRS ratios. These measures and ratios are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. Pet Valu uses non-IFRS measures, including "EBITDA", "Adjusted EBITDA", "Adjusted Net Income", "Adjusted Net Income per Diluted Share" and "Free Cash Flow" and non-IFRS ratios, including "Adjusted EBITDA Margin". 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", "4-Wall EBITDA", "4-Wall EBITDA Margin", "average sales to investment ratio", "Average Unit Volume" or "AUV" and "cash-on-cash returns". These non-IFRS measures and supplementary financial measures are used to provide investors with supplemental measures of Pet Valu's operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures and these supplementary financial measures in the evaluation of issuers. Management uses non-IFRS and supplementary financial measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and to determine components of management compensation. Refer to our supplemented long form PREP prospectus dated June 23, 2021 ("Prospectus"), Annual Information Form dated March 9, 2022 ("AIF"), our Management's Discussion and Analysis ("MD&A") for the year ended January 1, 2022, and our MD&A for the first quarter ended April 2, 2022 for further information on non-IFRS and supplementary financial measures, including for their definition and, for non-IFRS measures, a reconciliation to the most comparable IFRS measure.



Our Mission

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





Investment Highlights

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

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

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

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

We are Canada's Largest Pet Specialty Retailer

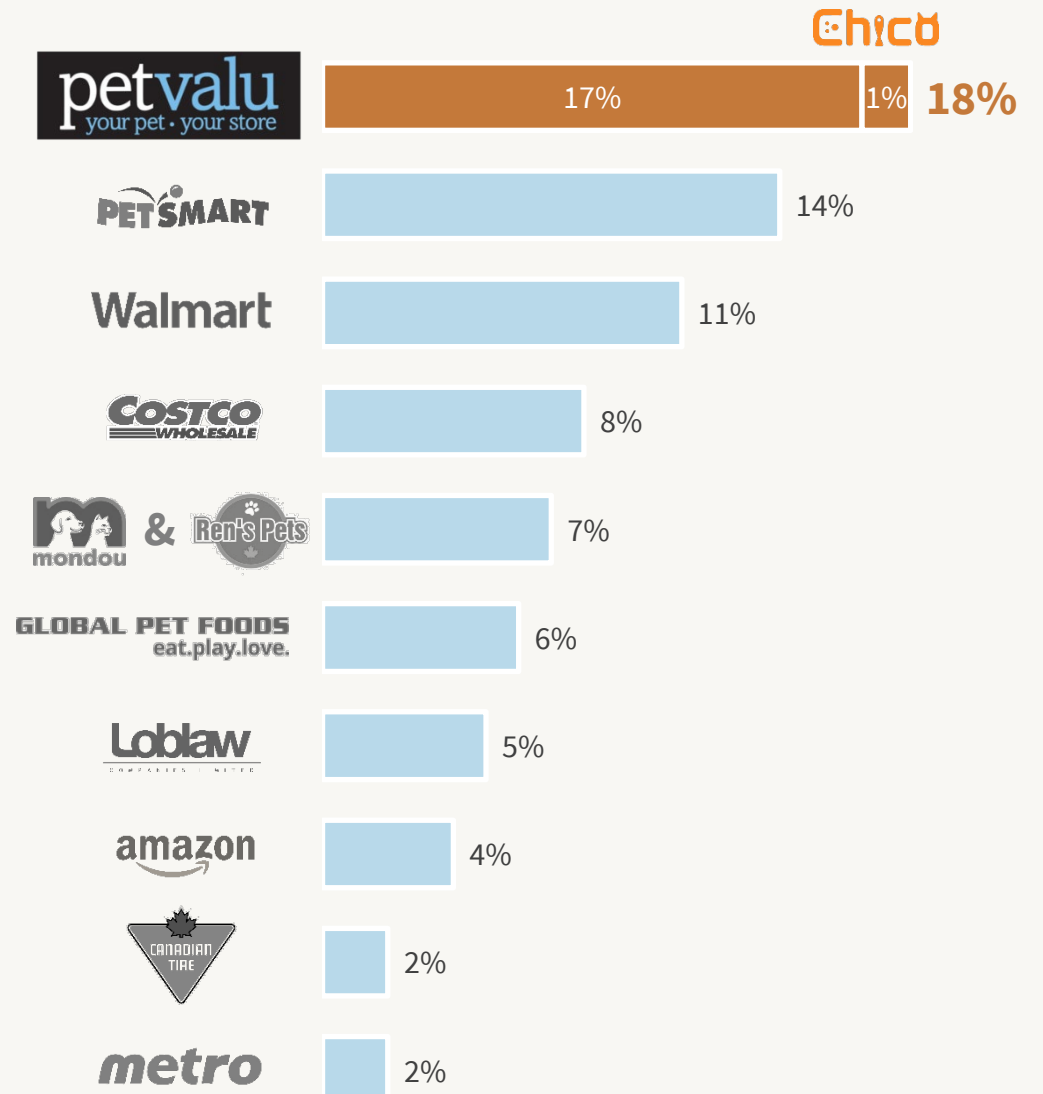
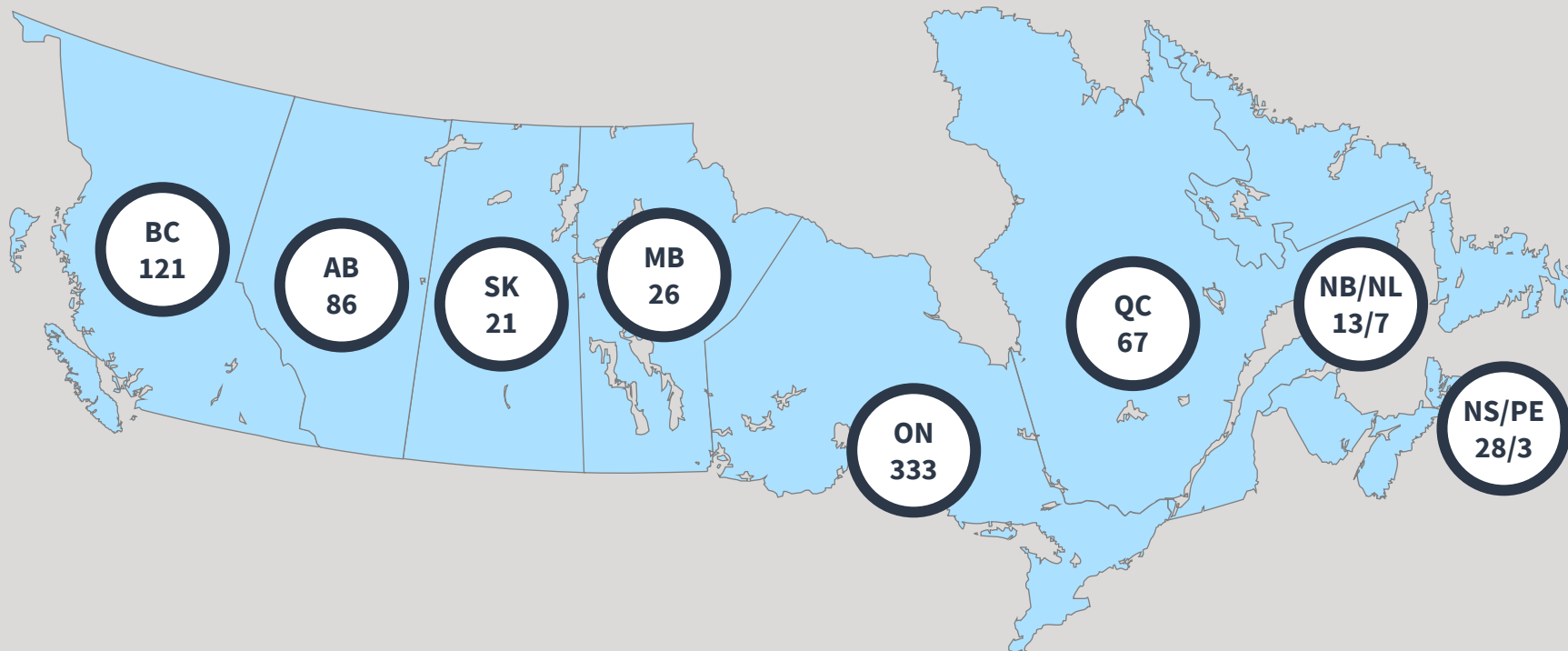
Unrivaled network across Canada with broad customer reach...

...driving leading market share³ position

705
stores across
10 provinces¹

72%
of Canadians
within 5km²

75%
market
segment reach²

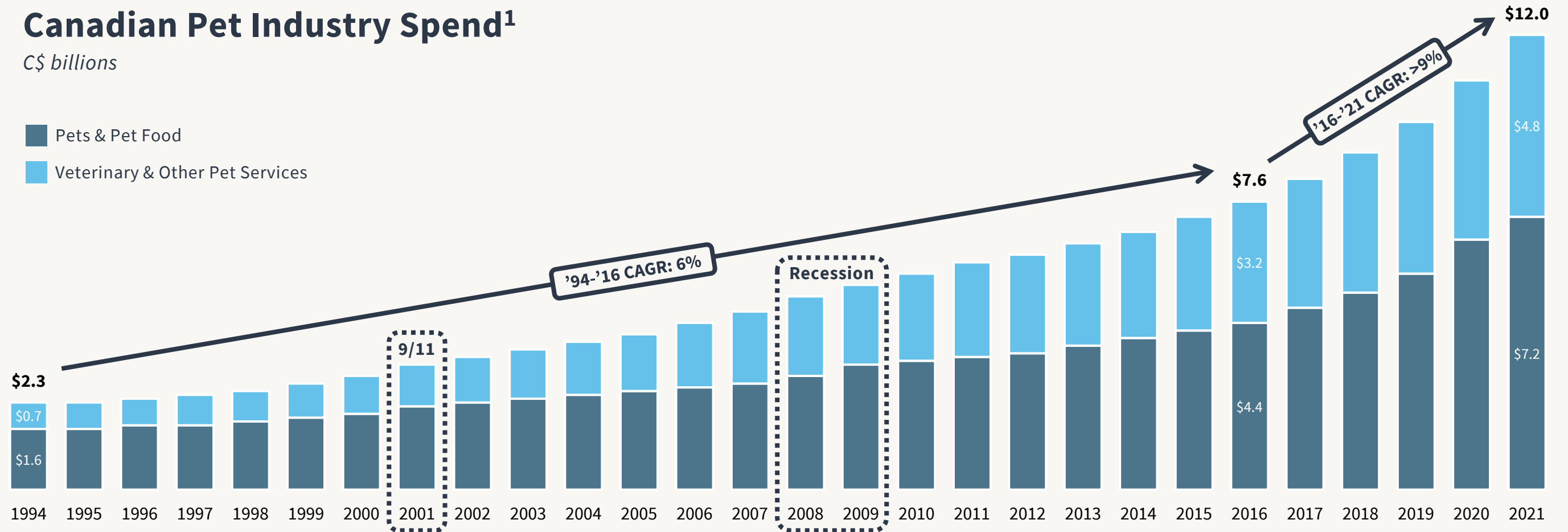


¹As of the end of Q1 2022. ²Customer segmentation from roundpeg Customer Study (Jan. '21); ³Fusion Retail Analytics, 2021 Canadian Pet Spend Market Share.

Pet Industry Has Delivered Consistent & Resilient Growth

Canadian Pet Industry Spend¹

C\$ billions



Underlying trends driving industry growth



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

We Operate a Highly-Flexible, Franchise-Led Model



Franchise network

474 stores¹

Strategic Benefits²

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

Economic Benefits²

- ✓ **AUV of \$1.7M³ & 4-Wall EBITDA of \$185K³** (~11% margin) drives:
 - Low investment cost of \$400K driving sales-to-investment ratio of **4.2x⁴**
 - Cash-on-cash returns **>46%⁵** and **~4-year payback** on initial investment



Corporate core

231 stores¹

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

- ✓ **AUV of \$1.5M³ & 4-Wall EBITDA of >\$300K³** (>20% margin) drives:
 - Sales-to-investment ratio of **4.2x⁴** (~\$360K investment) Cash-on-cash returns **>80%⁵** and **~2-year payback**

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



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

¹As of the end of Q1 2022. ²Excludes Chico stores.

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

⁴Calculated by dividing AUV by average investment cost; ⁵Calculated by dividing 4-Wall EBITDA by average investment cost.

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

Our Compelling & Engaging Retail Experiences Set Us Apart

Welcoming store environment

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



Expert, compassionate advice

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



Premium consumables offering; strong proprietary brands

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



Inviting in-store services

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



Strong, growing customer loyalty

- ✓ **Over 2 million** active loyalty members as of Q1 2022
- ✓ **>70% of system-wide sales** from loyalty members in Q1 2022
- ✓ Loyalty transactions drive significantly higher average basket size



Fully integrated omni-channel capabilities

- ✓ Invested over **\$35M** since 2019
- ✓ Canada-wide **direct-to-customer e-commerce site** as of February 2021
- ✓ Integrated **Click-and-Collect** as of Q3 2021

¹Excludes Chico stores.

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

Local Pet Authority, Led by Experienced Leadership Team

Translating “Our Four Paws” into “Memorable Moments”

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

Deeply Committed to supporting pets across Canada

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

Adam Woodward
VP, Franchise
Store Operations

Chris Schultz
Chief
Information
Officer

Kendalee MacKay
Chief
Merchant
Officer

Christine Bevilacqua
Chief
Administrative
Officer

Richard Maltsbarger
President
& CEO

Tanbir Grover
Chief
Marketing &
Digital Officer

Jim Grady
Chief Financial
Officer

Catherine Johnston
Chief Legal
Officer &
General Counsel

Gaylyn Craig
VP, Corporate
Store Operations





Our Long-Term Growth Formula



Expand Our Store Network

Opportunity to grow store count to 1,200+



Drive Same-Store Sales Growth

Build on proven strategies & growing digital channels



Enhance Operating Margins

Leverage investments in modernizing systems

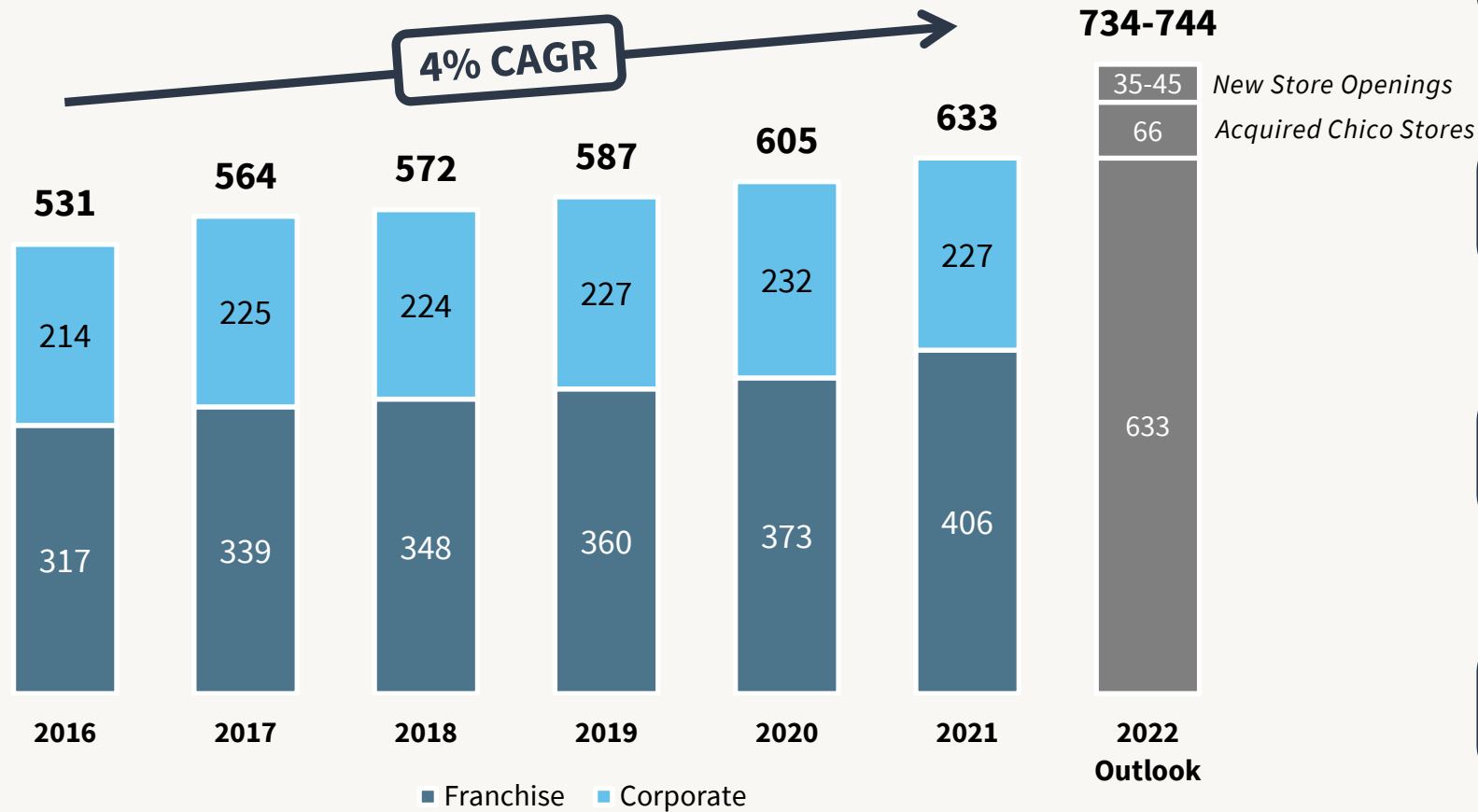
Underpinned by the Resilient & Growing Canadian Pet Industry



Expanding Our Store Network

System-wide Stores, by Type

as at year-end



Drivers

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

Acquisition of Les Franchises Chico (“Chico”)

About Chico

- Quebec’s largest pet specialty franchisor with 67¹ locations across the province
- Long heritage serving Quebec, founded in 1983
- Store size, AUV, and product mix similar to Pet Valu
- Limited wholesale distribution and private label presence
- 2021 system-wide sales of ~\$79M and revenue of ~\$7M



Strategic Rationale

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

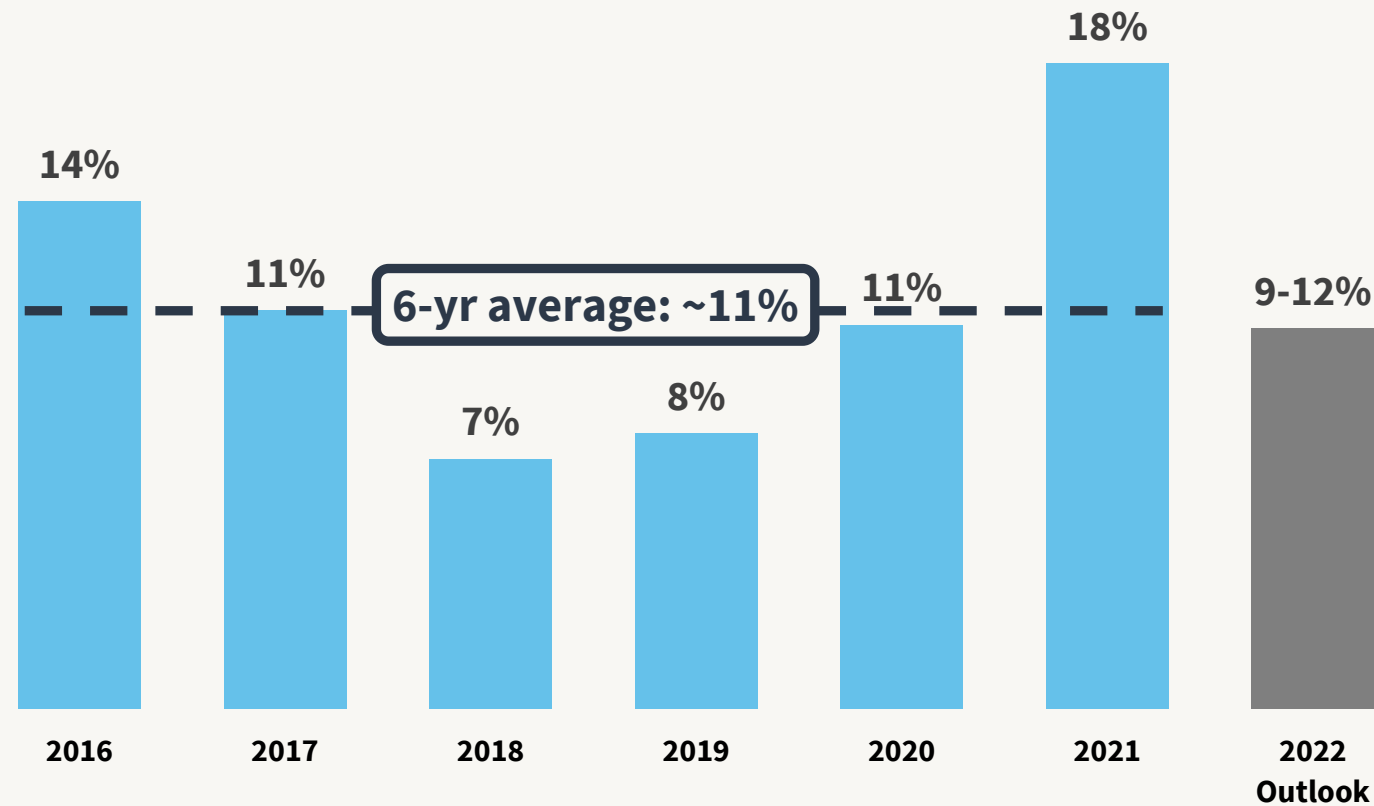


¹As of the end of Q1 2022.



Driving Same-Store Sales Growth

Same-Store Sales Growth



Drivers

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

Enhancing Operating Margins through Proven Initiatives



Purchasing Strength From Procurement

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



Increased Proprietary Brand Penetration

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



Improved Labour Efficiency

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



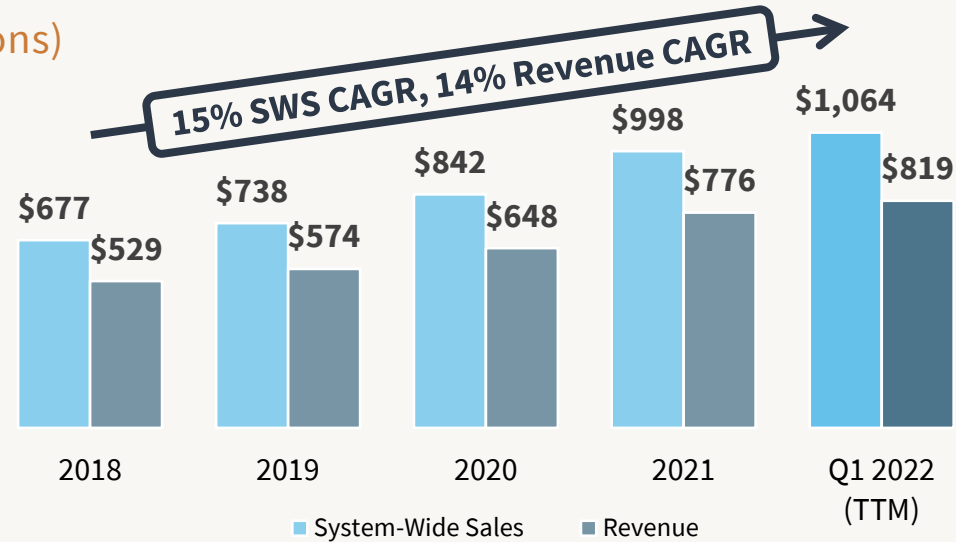
Increased Corporate SG&A Leverage

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

Strong Financial Track Record

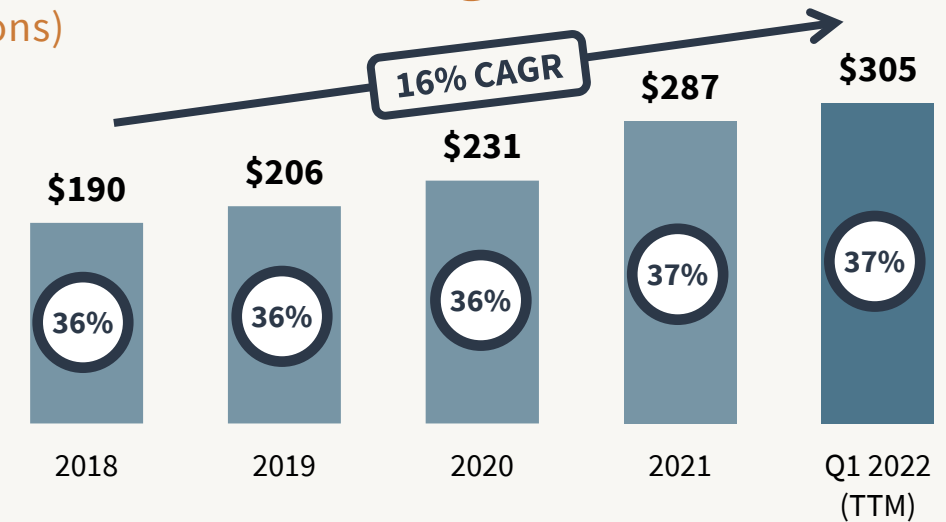
System-wide Sales & Revenue

(in millions)



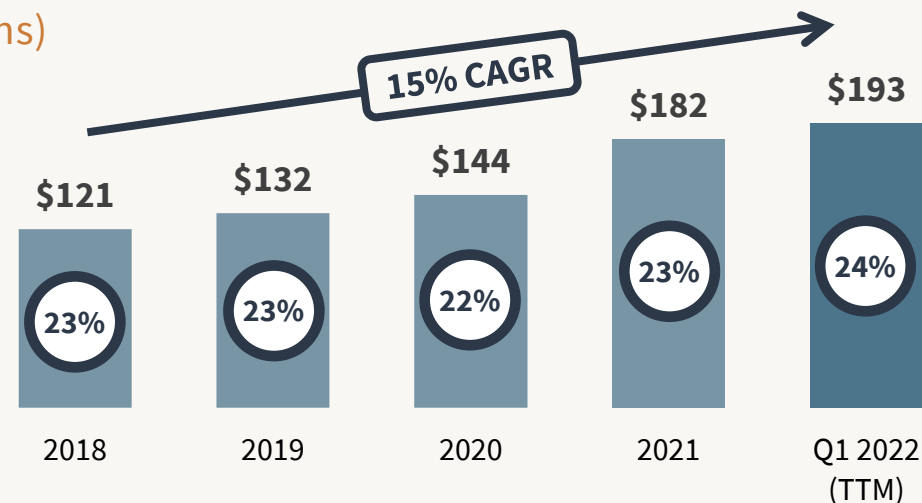
Gross Profit & Margin

(in millions)



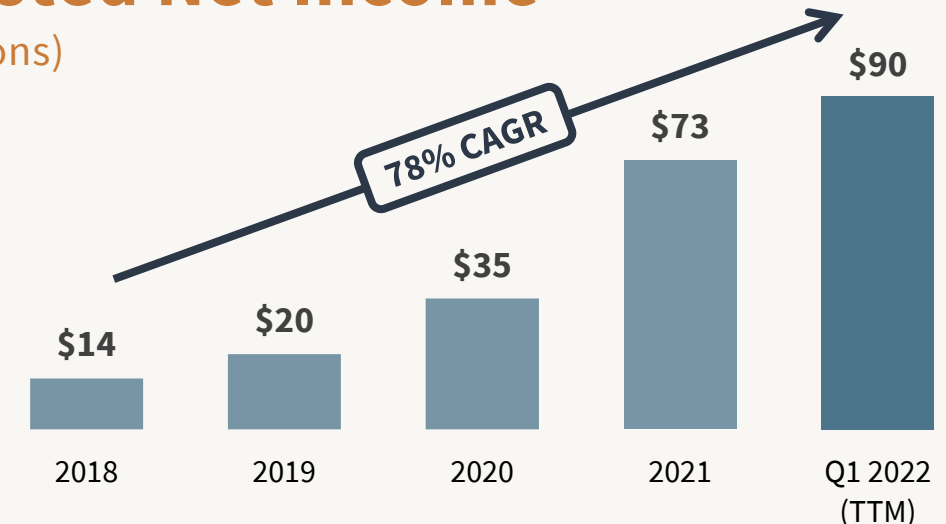
Adjusted EBITDA & Margin

(in millions)



Adjusted Net Income

(in millions)



Note: System-wide Sales (SWS) is a supplementary financial measure. Adjusted EBITDA and Adjusted Net Income are non-IFRS measures. Refer to our MD&A for the year ended January 2, 2022 and our MD&A for the first quarter ended April 2, 2022, AIF and Prospectus for more information and a reconciliation of these non-IFRS measures. TTM = Trailing Twelve Months.

2022 Outlook



	2022 Outlook	Growth from FY 2021
SSSG¹	9-12%	
New Stores²	35-45	+6-7%
Revenue	\$870-895M	+12-15%
Adjusted EBITDA	\$191-198M	+5-9%
Adjusted Net Income <i>per Diluted Share</i>	\$1.37-1.44	+34-41%
Capital Expenditures³	\$35-40M	+\$15-20M

¹ SSSG = Same-Store Sales Growth. ² Note: 2022 New Stores range of 35-45 and growth from 2021 excludes the 66 Chico stores acquired on February 25, 2022. ³ Net of (i) proceeds on disposal of property and equipment, and (ii) tenant allowances.

Thank You

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