

petvalu[®]

Paulmac's
Pets[®]

bosley's[®]
BY PET VALU

Tisol[®]
Pet Nutrition & Supply Stores

Total Pet

Investor Presentation

November 2021



Disclaimers

Forward-Looking Information

This presentation contains “forward-looking information” and “forward-looking statements” (collectively, “forward-looking information”) within the meaning of applicable securities laws. Forward-looking information may relate to our future financial outlook and anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, operations, financial results, plans and objectives. Particularly, information regarding the Company’s expectations of future results, performance, achievements, prospects or opportunities or the markets in which the Company operates is forward-looking information.

Forward-looking information is based on our opinions, estimates and assumptions in light of our management’s experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances, and are subject to risks and uncertainties. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect and there can be no assurance that actual results will be consistent with the forward-looking information. Whether actual results, performance or achievements will conform to the Company’s expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those set out in our supplemented long form PREP prospectus dated June 23, 2021 (the “Prospectus”) available on SEDAR at www.sedar.com.

All of the forward-looking information contained in this presentation is expressly qualified by the foregoing cautionary statements.

Non-IFRS and Industry Metrics

This presentation makes reference to certain non-International Financial Reporting Standards (“IFRS”) measures, namely “Adjusted EBITDA”, “Adjusted EBITDA Margin”, “Adjusted Net Income”, “4-Wall EBITDA”, “Average Unit Volume” or “AUV” and “Cash-on-Cash Returns.” These measures are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. This presentation also makes reference to certain operating metrics that are commonly used in the retail industry, including “system-wide sales” and “same-store sales growth”. These non-IFRS measures and retail industry operating metrics are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures and such retail industry metrics in the evaluation of issuers. Our management uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and to determine components of management compensation. Please refer to the Prospectus for definitions of these non-IFRS measures and industry metrics under “Non-IFRS Measures and Industry Metrics” and for a reconciliation of these non-IFRS measures to their most directly comparable measures calculated in accordance with IFRS under “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Select Consolidated Financial Information and Industry Metrics.”



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

622

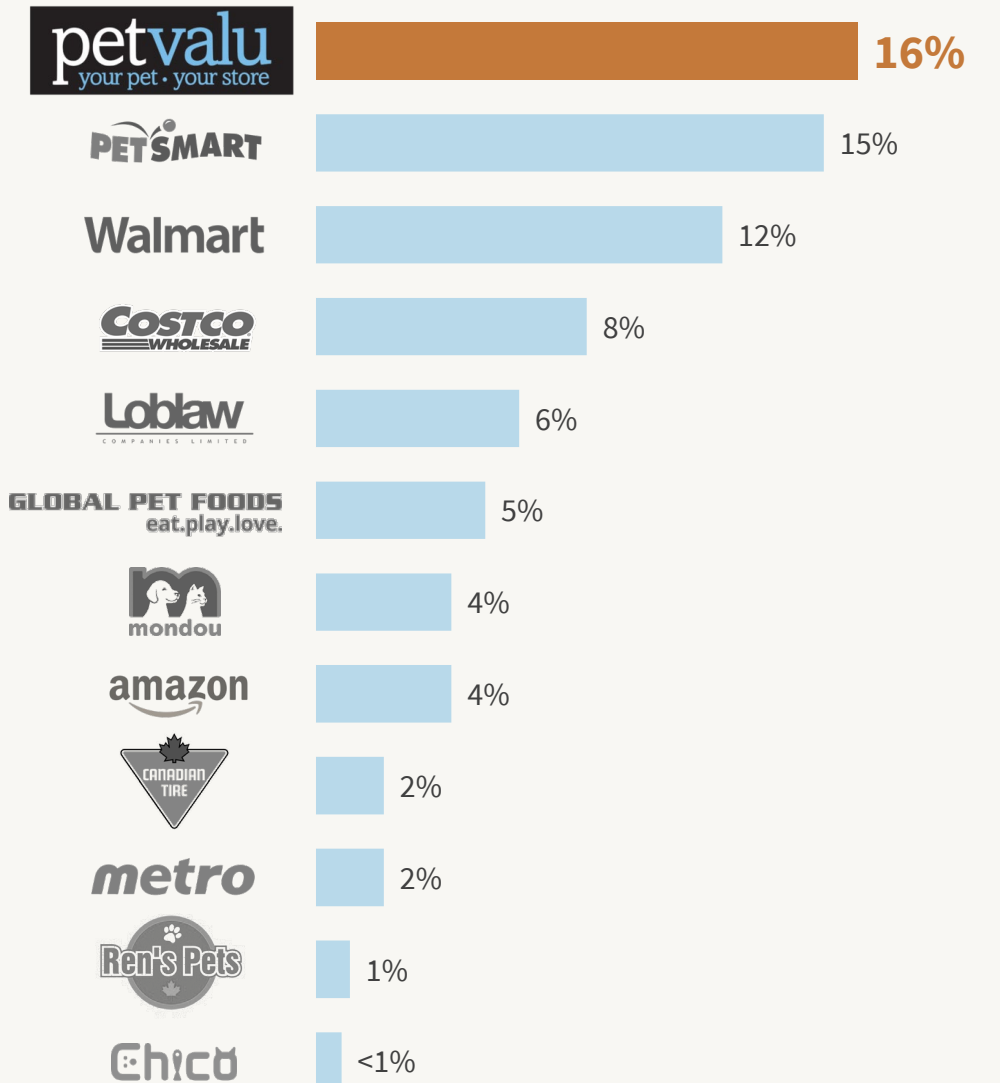
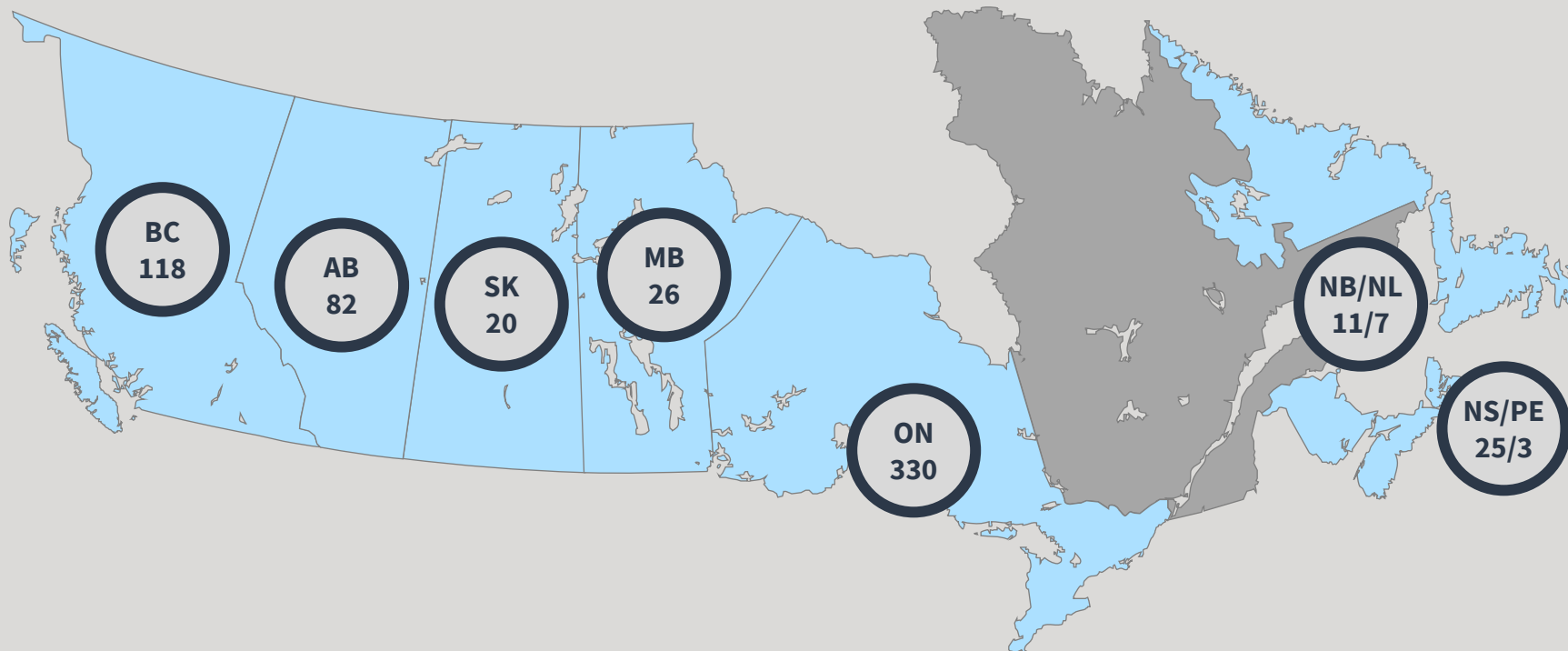
stores across
9 provinces¹

60%

of Canadians
within 5km²

75%

market
segment reach²

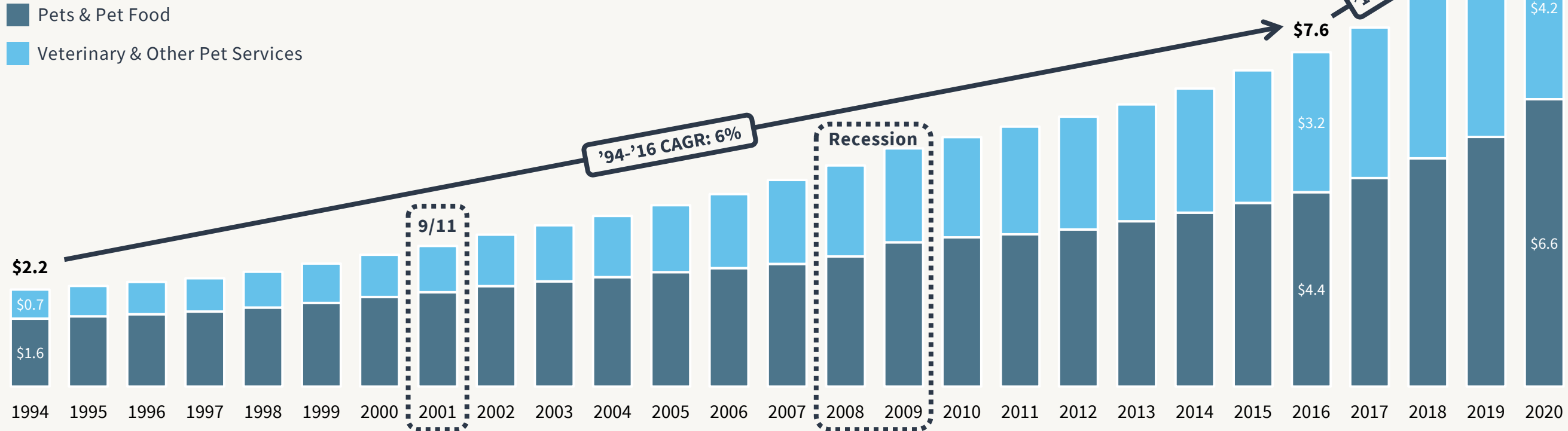


¹As of Q3 2021; ²Customer segmentation from roundpeg Customer Study (Jan. '21); ³Fusion Retail Analytics' 2020 Canadian Pet Spend Market Share.

Pet Industry Has Delivered Consistent & Resilient Growth

Canadian Pet Industry Spend¹

C\$ billions



Underlying trends driving industry growth

Growing number of pet owners and multi-pet households



Increasing humanization of pets



Highest value customer segment seeing fastest 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

398 stores¹

Strategic Benefits

- ✓ Franchisees **live and invest in their communities**
- ✓ **Owner-operator model**, with mandatory 40hr/week commitment
- ✓ **Limited concentration**: 66% of franchisees owning one store, 23% owning two stores and no franchisees with more than 5 stores
- ✓ Average **franchisee tenure of ~9 years** with **<5% annual turnover** (mostly related to retirement)

Economic Benefits

- ✓ Average **AUV of \$1.5M²** & **4-Wall EBITDA of \$155K²** (~10% margin) drives:
 - Low investment cost of \$400K driving sales-to-investment ratio of **3.7x³**
 - Cash-on-cash returns **>35%⁴** and **~4-year payback** on initial investment



Corporate core

224 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 ~5 years**

- ✓ Average **AUV of \$1.3M²** & **4-Wall EBITDA of \$260K²** (~20% margin) drives:
 - Sales-to-investment ratio of **3.6x³** (~\$360K investment) Cash-on-cash returns **>70%⁴** and **~2-year payback**

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



Average Same-Store Sales Growth (2016-2020)

~13%
Rural/Fringe

~9%
Suburban

~7%
Urban/Metro

¹As at Q3 2021; ²Represents Fiscal 2020 performance for 305 franchised and 220 corporate stores open for at least 12 months.
³Calculated by dividing AUV by average investment cost; ⁴Calculated by dividing 4-Wall EBITDA by average investment cost.
 Note: AUV, 4-Wall EBITDA and cash-on-cash returns are non-IFRS measures. Refer to the Prospectus for definitions of such non-IFRS measures.

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 training** in nutrition, care, wellness, customer service & selling skills



Premium consumables offering; strong proprietary brands

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



Inviting in-store services

- ✓ **~60%** offer self-service dog wash bays and **~35%** offer grooming
- ✓ Significant growth opportunity with **only ~20%** offering both
- ✓ Stores with **both services** have **~18% higher AUV** vs. those without



Strong, growing customer loyalty

- ✓ **Over 1.7 million** active loyalty members as of Q3 2021
- ✓ **Over 60%** of system-wide sales from loyalty members in Q3 2021
- ✓ Loyalty transactions are **72%¹ higher average basket**



Fully integrated omni-channel capabilities

- ✓ **Invested over \$25M** since 2019
- ✓ **Canada-wide direct-to-customer e-commerce site** as of February 2021
- ✓ **Integrated Click-and-Collect** as of Q3 2021
- ✓ **Consistent record website traffic growth** each quarter since early 2020

¹Based on sales in FY2020.

Notes: AUV = Average Unit Volume; Active loyalty membership based on transaction history in the LTM.

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 \$20M to local animal shelters and pet rescues over the last 10 years*
- ✓ *Aided 37,000 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

Tanbir Grover
Chief Marketing & Digital Officer

Richard Maltsbarger
President & CEO

Jim Grady
Chief Financial Officer

Catherine Johnston
Chief Legal Officer & General Counsel

Brian McIntosh
VP, Fulfillment & Delivery

Gaylyn Craig
VP, Corporate Store Operations





Our Long-Term Growth Formula



**Expand Our
Store Network**



**Drive Same-Store
Sales Growth**



**Enhance
Operating Margins**

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

*Build on proven strategies
& growing digital channels*

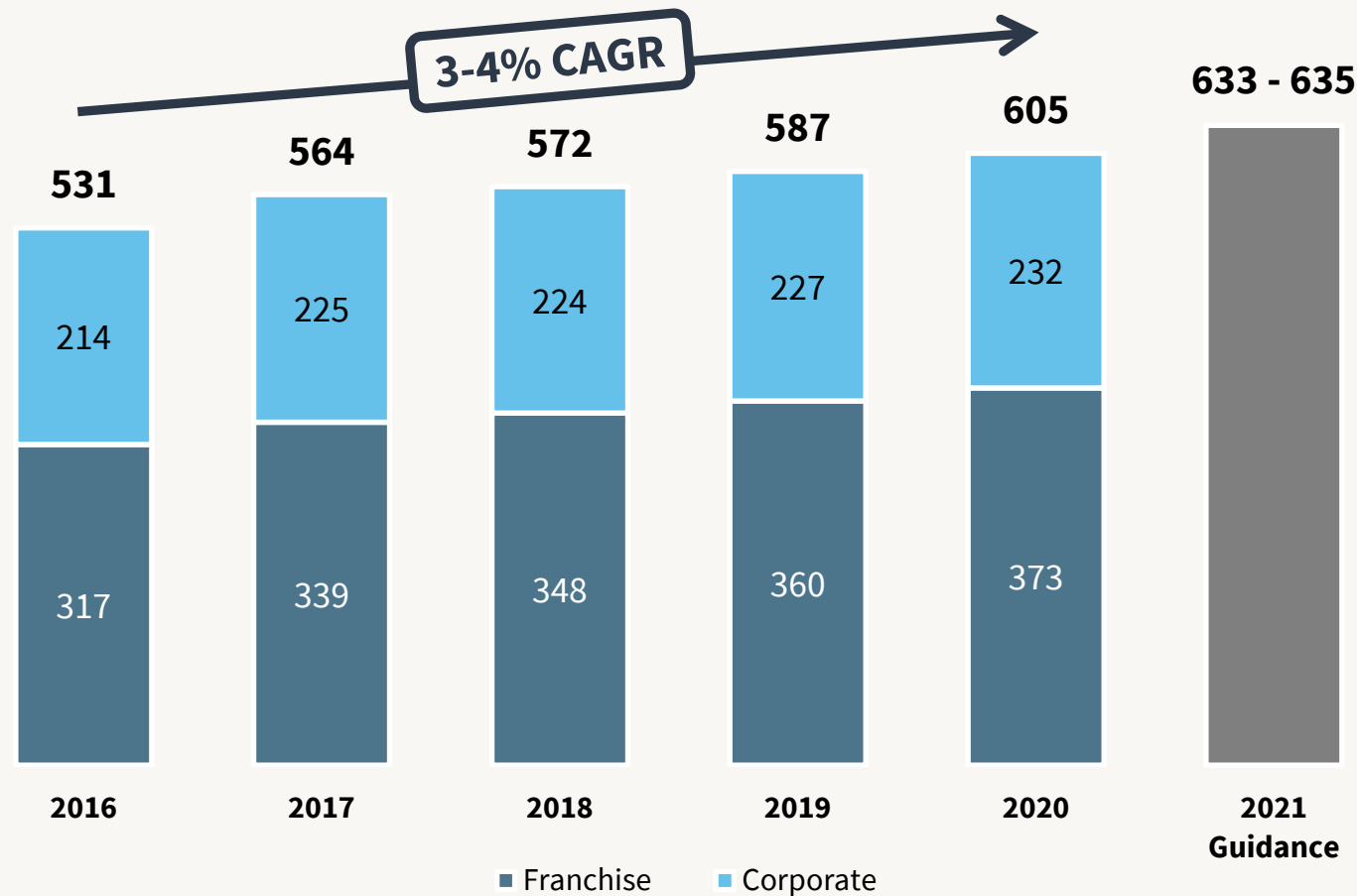
*Leverage investments
in modernizing systems*



Expanding Our Store Network

Store Count, by Type

as at year-end



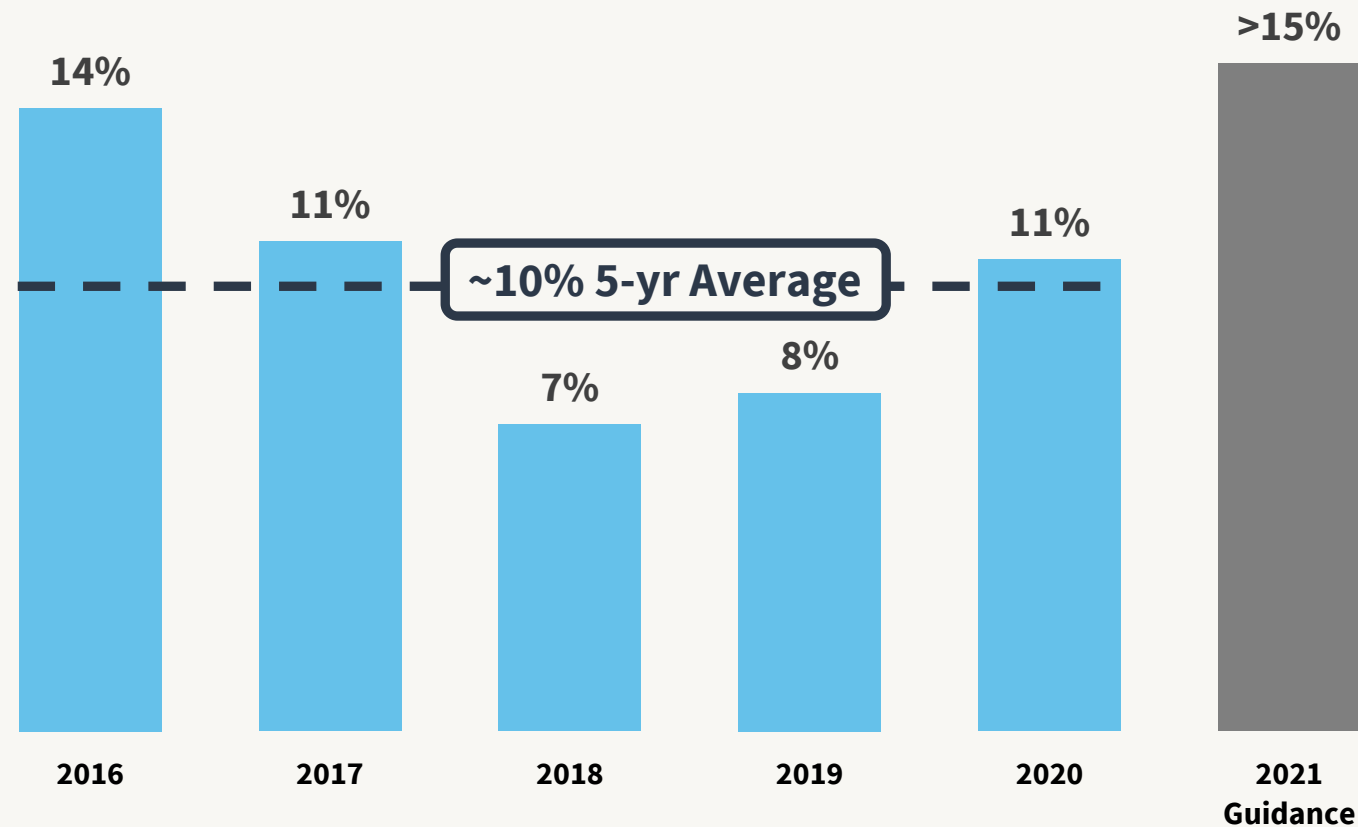
Drivers

- Opportunity to grow store count to 1,200+ locations over the long term
- Identified ~500 new market and ~100 in-fill locations for future growth
- Growth to be led primarily through franchised units
- Received ~800 formal franchising inquiries in Fiscal 2020



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

- ✓ **+1,200bps** 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**

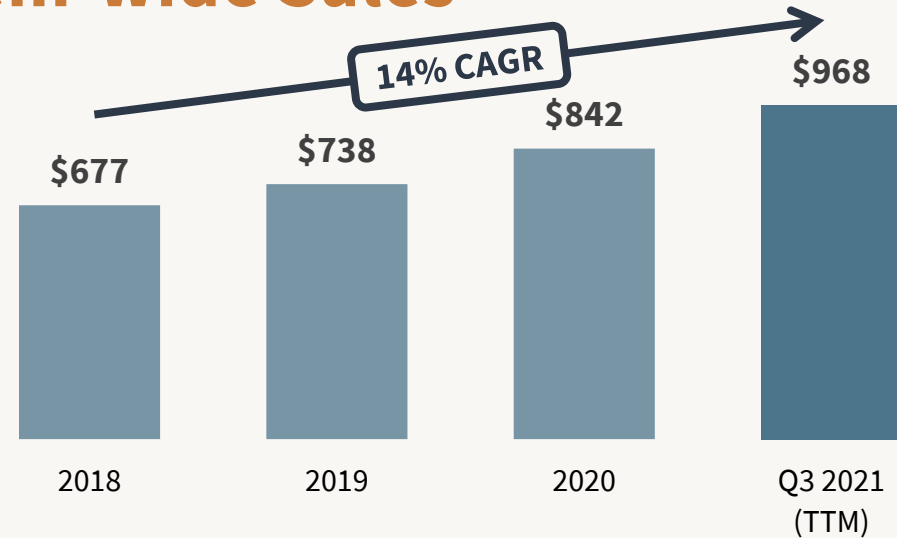


Increased Corporate SG&A Leverage

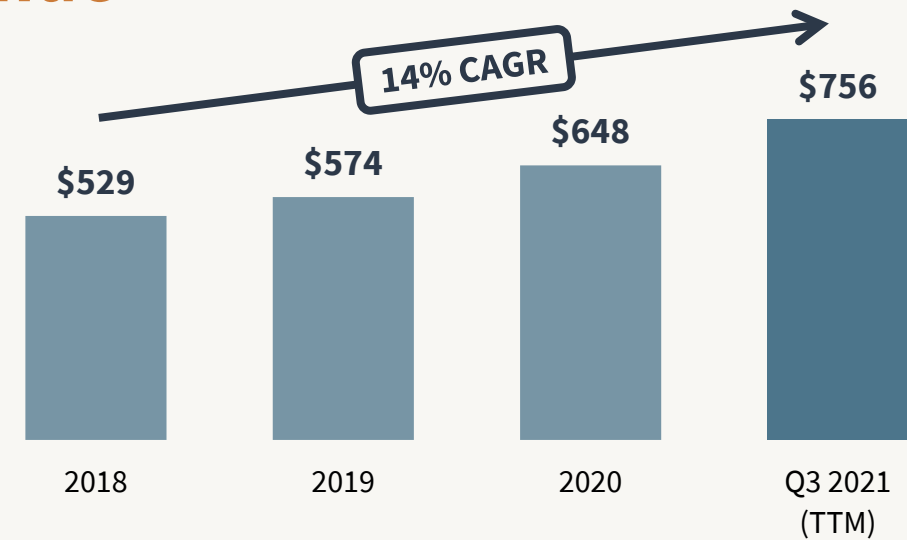
- ✓ **\$25MM+** invested in technology since 2019
- ✓ **IT, digital & data analytics** capabilities
- ✓ **Inventory fulfillment** tools

Strong Financial Track Record

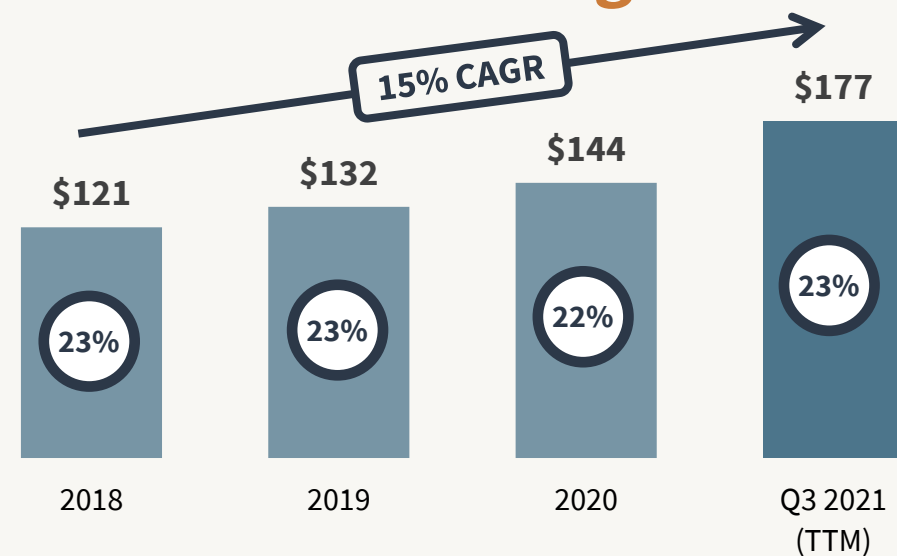
System-wide Sales



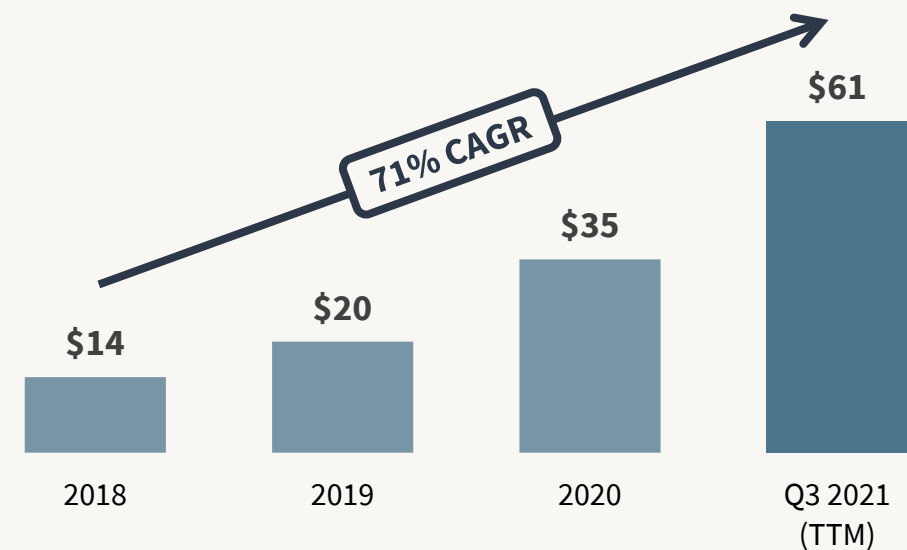
Revenue



Adjusted EBITDA & Margin



Adjusted Net Income



Note: Adjusted EBITDA and Adjusted Net Income are non-IFRS measures. Refer to the Prospectus and Q3 2021 MD&A for a reconciliation of these non-IFRS measures. Q3 2021 (TTM) reflects period between Q4 2020 and Q3 2021.



2021 Guidance

	Guidance	Growth from FY 2020
SSSG	>15%	nm
New Stores	28-30	+5%
Revenue	~\$765M	+18%
Adjusted EBITDA	~\$177M	+23%
Adjusted Net Income <i>(Adjusted Net Income/Diluted Share)</i>	~\$69M <i>(~\$0.97/share)</i>	+94% <i>(nm)</i>
Capital Expenditures¹	~\$20M	+\$4M

¹ Net of (i) proceeds on disposal of property and equipment, and (ii) tenant allowances
 Notes: SSSG = Same-Store Sales Growth; nm = not meaningful.

Thank You

Contact Us:

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