



Petco Health + Wellness Company, Inc. Reports First Quarter 2025 Financial Results

June 5, 2025

*Reaffirms Fiscal 2025 Net Sales and Earnings Outlook**

SAN DIEGO, June 5, 2025 /PRNewswire/ -- Petco Health and Wellness Company, Inc. (Nasdaq: WOOF) today announced its first quarter 2025 financial results.

Q1 2025 Overview

- Net sales of \$1.5 billion decreased 2.3% year over year in line with the company's first quarter outlook
- Comparable sales decreased 1.3% year over year
- Gross profit margin expanded approximately 30 basis points to 38.2% as a percentage of net sales
- Operating Income improved \$33.1 million to \$16.4 million
- GAAP net loss improved \$34.8 million to \$11.7 million
- Adjusted EBITDA¹ increased \$13.8 million to \$89.4 million

"We are pleased to deliver first quarter earnings results ahead of our guidance and to reaffirm our outlook for fiscal 2025 which now incorporates the impact of tariffs. This performance is a testament to the execution of our nearly 30,000 team members and the resilience of the category in which we operate," said Joel Anderson, Petco's Chief Executive Officer.

"We entered the year with a detailed, phased strategy to strengthen retail fundamentals across our operating model and return the business to sustainable, profitable growth. The current backdrop has served as a catalyst to accelerate the work that was already underway. We are pleased with the progress we are continuing to drive, and our entire team remains focused on executing our plans and driving the performance we know this business is capable of."

Full Year 2025 Outlook

The company reaffirmed its full year 2025 net sales and earnings outlook and provided its outlook for the second quarter of 2025. The Company's second quarter and full year 2025 guidance assumes that the current tariffs on imports into the U.S. from China and other countries as of June 5, 2025 will stay at current levels and do not increase for the remainder of the year.

	FY 2025 Outlook*
Net Sales	Down low single digits year over year
Adjusted EBITDA	\$375 million to \$390 million
Net interest expense	~\$130 million
Capital Expenditures	\$125 million to \$130 million
Depreciation & Amortization	~\$200 million

Second Quarter 2025 Outlook

	Q2 2025 Outlook*
Net Sales	Down low single digits year over year
Adjusted EBITDA	\$92 million to \$94 million

*Assumptions in the guidance include that economic conditions, currency rates and the tax and regulatory landscape remain generally consistent, and that current tariffs on imports into the U.S. from other countries remain at June 5, 2025 levels. Adjusted EBITDA is a non-GAAP financial measure and has not been reconciled to the most comparable GAAP outlook because it is not possible to do so without unreasonable efforts due to the uncertainty and potential variability of reconciling items, which are dependent on future events and often outside of management's control and which could be significant. Because such items cannot be reasonably predicted with the level of precision required, we are unable to provide outlook for the comparable GAAP measures. Forward-looking estimates of Adjusted EBITDA are made in a manner consistent with the relevant definitions and assumptions noted herein and in our filings with the Securities and Exchange Commission.

(1) Adjusted EBITDA and Free Cash Flow are non-GAAP financial measures. See "Non-GAAP Financial Measures" for additional information on

non-GAAP financial measures and a reconciliation to the most comparable GAAP measures.

Earnings Conference Call Webcast Information:

Management will host an earnings conference call on June 5, 2025 at approximately 4:30 PM Eastern Time to discuss the company's financial results. A live webcast of the conference call will be available on the company's Investor Relations page at <https://ir.petco.com/news-and-events/events-and-presentations>. A replay of the webcast will be available through the same link approximately two hours after the conference call.

About Petco, The Health + Wellness Co.:

Founded in 1965, Petco is a category-defining health and wellness company focused on improving the lives of pets, pet parents and our own Petco partners. We've consistently set new standards in pet care while delivering comprehensive pet wellness products, services and solutions, and creating communities that deepen the pet-pet parent bond. We operate more than 1,500 pet care centers across the U.S., Mexico and Puerto Rico, which offer merchandise, companion animals, grooming, training and a growing network of on-site veterinary hospitals and mobile veterinary clinics. Our complete pet health and wellness ecosystem is accessible through our pet care centers and digitally at petco.com and on the [Petco app](#). In tandem with [Petco Love](#), a life-changing independent nonprofit organization, we work with and support thousands of local animal welfare groups across the country and, through in-store adoption events, we've helped find homes for approximately 7 million animals.

Forward-Looking Statements:

This earnings release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 as contained in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are not statements of historical fact, including, but not limited to, statements regarding our Q2 and full year 2025 guidance, operational reset of our business, our competitive positioning, profitability, cost action plans and associated cost-savings, and our expectations regarding tariffs and associated impacts. Such forward-looking statements can generally be identified by the use of forward-looking terms such as "believes," "expects," "may," "intends," "will," "shall," "should," "anticipates," "opportunity," "illustrative," or the negative thereof or other variations thereon or comparable terminology. Although Petco believes that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct or that any forward-looking results will occur or be realized. Nothing contained in this earnings release is, or should be relied upon as, a promise or representation or warranty as to any future matter, including any matter in respect of the operations or business or financial condition of Petco. All forward-looking statements are based on current expectations and assumptions about future events that may or may not be correct or necessarily take place and that are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Petco. Forward-looking statements are subject to a number of risks, uncertainties and other factors that could cause actual results or events to differ materially from the potential results or events discussed in the forward-looking statements, including, without limitation, those identified in this earnings release as well as the following: (i) increased competition (including from multi-channel retailers, mass and grocery retailers, and e-Commerce providers); (ii) reduced consumer demand for our products and/or services; (iii) our reliance on key vendors; (iv) our ability to attract and retain qualified employees; (v) risks arising from statutory, regulatory and/or legal developments; (vi) macroeconomic pressures in the markets in which we operate, including inflation, prevailing interest rates and the impact of tariffs; (vii) failure to effectively manage our costs; (viii) our reliance on our information technology systems; (ix) our ability to prevent or effectively respond to a data privacy or security breach; (x) our ability to effectively manage or integrate strategic ventures, alliances or acquisitions and realize the anticipated benefits of such transactions; (xi) economic or regulatory developments that might affect our ability to provide attractive promotional financing; (xii) business interruptions and other supply chain issues; (xiii) catastrophic events, political tensions, conflicts and wars (such as the ongoing conflicts in Ukraine and the Middle East), health crises, and pandemics; (xiv) our ability to maintain positive brand perception and recognition; (xv) product safety and quality concerns; (xvi) changes to labor or employment laws or regulations; (xvii) our ability to effectively manage our real estate portfolio; (xviii) constraints in the capital markets or our vendor credit terms; (xix) changes in our credit ratings; (xx) impairments of the carrying value of our goodwill and other intangible assets; (xxi) our ability to successfully implement our operational adjustments, achieve the expected benefits of our cost action plans and drive improved profitability; and (xxii) the other risks, uncertainties and other factors identified under "Risk Factors" and elsewhere in Petco's Securities and Exchange Commission filings. The occurrence of any such factors could significantly alter the results set forth in these statements.

Petco cautions that the foregoing list of risks, uncertainties and other factors is not complete, and forward-looking statements speak only as of the date they are made. Petco undertakes no duty to update publicly any such forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law, regulation or other competent legal authority.

**PETCO HEALTH AND WELLNESS COMPANY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share amounts)

(Unaudited and subject to reclassification)

	13 Weeks Ended		
	May 3, 2025	May 4, 2024	Percent Change
Net sales:			
Products	\$ 1,241,891	\$ 1,279,731	(3 %)
Services and other	251,508	249,409	1 %
Total net sales	1,493,399	1,529,140	(2 %)
Cost of sales:			
Products	766,285	792,722	(3 %)
Services and other	157,146	157,758	(0 %)
Total cost of sales	923,431	950,480	(3 %)

Gross profit	569,968	578,660	(2 %)
Selling, general and administrative expenses	553,609	595,442	(7 %)
Operating income (loss)	16,359	(16,782)	N/M
Interest income	(1,359)	(418)	225 %
Interest expense	33,494	36,817	(9 %)
Other non-operating loss	—	2,665	(100 %)
Loss before income taxes and income from equity method investees	(15,776)	(55,846)	(72 %)
Income tax expense (benefit)	495	(4,477)	N/M
Income from equity method investees	(4,610)	(4,886)	(6 %)
Net loss attributable to Class A and B-1 common stockholders	\$ (11,661)	\$ (46,483)	(75 %)
Net loss per Class A and B-1 common share:			
Basic	\$ (0.04)	\$ (0.17)	(76 %)
Diluted	\$ (0.04)	\$ (0.17)	(76 %)

Weighted average shares used in computing net loss per Class A and B-1 common share:

Basic	277,548	269,768	3 %
Diluted	277,548	269,768	3 %

PETCO HEALTH AND WELLNESS COMPANY, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)

(Unaudited and subject to reclassification)

	May 3, 2025	February 1, 2025
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 133,343	\$ 165,756
Receivables, less allowance for credit losses ¹	36,079	40,425
Merchandise inventories, net	645,472	653,329
Prepaid expenses	66,973	53,515
Other current assets	38,563	60,594
Total current assets	<u>920,430</u>	<u>973,619</u>
Fixed assets	2,284,663	2,265,915
Less accumulated depreciation	<u>(1,580,210)</u>	<u>(1,540,477)</u>
Fixed assets, net	704,453	725,438
Operating lease right-of-use assets	1,300,032	1,302,346
Goodwill	980,064	980,064
Trade name	1,025,000	1,025,000
Other long-term assets	191,157	187,963
Total assets	<u>\$ 5,121,136</u>	<u>\$ 5,194,430</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and book overdrafts	\$ 473,906	\$ 492,878
Accrued salaries and employee benefits	108,909	157,460
Accrued expenses and other liabilities	190,239	177,079
Current portion of operating lease liabilities	305,051	306,400
Current portion of long-term debt and other lease liabilities	5,372	5,346
Total current liabilities	<u>1,083,477</u>	<u>1,139,163</u>
Senior secured credit facilities, net, excluding current portion	1,579,338	1,578,091
Operating lease liabilities, excluding current portion	1,034,719	1,037,206
Deferred taxes, net	207,709	217,712
Other long-term liabilities	<u>108,563</u>	<u>108,628</u>
Total liabilities	<u>4,013,806</u>	<u>4,080,800</u>
Commitments and contingencies		
Stockholders' equity:		

Class A common stock ²	241	239
Class B-1 common stock ³	38	38
Class B-2 common stock ⁴	—	—
Preferred stock ⁵	—	—
Additional paid-in-capital	2,288,248	2,280,495
Accumulated deficit	(1,160,720)	(1,149,059)
Accumulated other comprehensive loss	(20,477)	(18,083)
Total stockholders' equity	<u>1,107,330</u>	<u>1,113,630</u>
Total liabilities and stockholders' equity	<u>\$ 5,121,136</u>	<u>\$ 5,194,430</u>

(1) Allowances for credit losses are \$859 and \$1,594, respectively

(2) Class A common stock, \$0.001 par value: Authorized - 1.0 billion shares; Issued and outstanding - 240.8 million and 239.1 million shares, respectively

(3) Class B-1 common stock, \$0.001 par value: Authorized - 75.0 million shares; Issued and outstanding - 37.8 million shares

(4) Class B-2 common stock, \$0.000001 par value: Authorized - 75.0 million shares; Issued and outstanding - 37.8 million shares

(5) Preferred stock, \$0.001 par value: Authorized - 25.0 million shares; Issued and outstanding – none

PETCO HEALTH AND WELLNESS COMPANY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited and subject to reclassification)

	13 Weeks Ended	
	May 3, 2025	May 4, 2024
Cash flows from operating activities:		
Net loss	\$ (11,661)	\$ (46,483)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	49,365	49,587
Amortization of debt discounts and issuance costs	1,246	1,218
Provision for deferred taxes	(9,218)	(13,365)
Equity-based compensation	9,420	17,434
Impairments, write-offs and losses on sale of fixed and other assets	446	3,508
Income from equity method investees	(4,610)	(4,886)
Amounts reclassified out of accumulated other comprehensive loss	(212)	(1,129)
Non-cash operating lease costs	102,132	103,637
Other non-operating loss	—	2,665
Changes in assets and liabilities:		
Receivables	4,229	2,987
Merchandise inventories	7,857	3,076
Prepaid expenses and other assets	(1,673)	(4,511)
Accounts payable and book overdrafts	(19,028)	(19,538)
Accrued salaries and employee benefits	(51,130)	(5,474)
Accrued expenses and other liabilities	12,426	5,902
Operating lease liabilities	(103,780)	(104,181)
Other long-term liabilities	(1,263)	1,139
Net cash used in operating activities	<u>(15,454)</u>	<u>(8,414)</u>
Cash flows from investing activities:		
Cash paid for fixed assets	(28,412)	(32,641)
Cash paid for acquisitions, net of cash acquired	—	(100)
Proceeds from investments	—	998
Proceeds from sale of assets	1,279	—
Net cash used in investing activities	<u>(27,133)</u>	<u>(31,743)</u>
Cash flows from financing activities:		
Borrowings under long-term debt agreements	—	173,000
Repayments of long-term debt	—	(173,000)
Debt refinancing costs	—	(2,955)
Payments for finance lease liabilities	(1,143)	(1,444)

Proceeds from employee stock purchase plan and stock option exercises	967	830
Tax withholdings on stock-based awards	(158)	(2,059)
Net cash used in financing activities	(334)	(5,628)
Net decrease in cash, cash equivalents and restricted cash	(42,921)	(45,785)
Cash, cash equivalents and restricted cash at beginning of period	181,665	136,649
Cash, cash equivalents and restricted cash at end of period	\$ 138,744	\$ 90,864

NON-GAAP FINANCIAL MEASURES

The following information provides definitions and reconciliations of the non-GAAP financial measures presented in this earnings release to the most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles (GAAP). The company has provided this non-GAAP financial information, which is not calculated or presented in accordance with GAAP, as information supplemental and in addition to the financial measures presented in this earnings release that are calculated and presented in accordance with GAAP. Such non-GAAP financial measures should not be considered superior to, as a substitute for or alternative to, and should be considered in conjunction with, the GAAP financial measures presented in this earnings release. The non-GAAP financial measures in this earnings release may differ from similarly titled measures used by other companies.

The tables below reflect the calculation of Adjusted EBITDA as applicable, for the thirteen weeks ended May 3, 2025 compared to the thirteen weeks ended May 4, 2024.

Adjusted EBITDA

Adjusted EBITDA is considered a non-GAAP financial measure under the Securities and Exchange Commission's (SEC) rules because it excludes certain amounts included in net income calculated in accordance with GAAP. Management believes that Adjusted EBITDA is a meaningful measure to share with investors because it facilitates comparison of the current period performance with that of the comparable prior period. In addition, Adjusted EBITDA affords investors a view of what management considers to be Petco's core operating performance as well as the ability to make a more informed assessment of such operating performance as compared with that of the prior period. Please see the company's Annual Report on Form 10-K for the fiscal year ended February 1, 2025 filed with the SEC on March 31, 2025 for additional information on Adjusted EBITDA.

(dollars in thousands)	13 Weeks Ended	
	May 3, 2025	May 4, 2024
Reconciliation of Net Loss Attributable to Class A and B-1 Common Stockholders to Adjusted EBITDA		
Net loss attributable to Class A and B-1 common stockholders	\$ (11,661)	\$ (46,483)
Add (deduct):		
Interest expense, net	32,135	36,399
Income tax expense (benefit)	495	(4,477)
Depreciation and amortization	49,365	49,587
Income from equity method investees	(4,610)	(4,886)
Asset impairments and write offs	446	3,508
Equity-based compensation	9,420	17,434
Other non-operating loss	—	2,665
Mexico joint venture EBITDA (1)	10,198	10,496
Acquisition and divestiture-related costs (2)	—	3,719
Other costs (3)	3,661	7,682
Adjusted EBITDA	\$ 89,449	\$ 75,644
Net sales	\$ 1,493,399	\$ 1,529,140
Net margin (4)	(0.8 %)	(3.0 %)
Adjusted EBITDA Margin	6.0 %	4.9 %

Free Cash Flow

Free Cash Flow is a non-GAAP financial measure that is calculated as net cash provided by operating activities less cash paid for fixed assets. Management believes that Free Cash Flow, which measures the ability to generate additional cash from business operations, is an important financial measure for use in evaluating the company's financial performance.

The table below reflects the calculation of Free Cash Flow for the thirteen weeks ended May 3, 2025 compared to the thirteen weeks ended May 4, 2024.

(in thousands)	13 Weeks Ended	
	May 3, 2025	May 4, 2024
Net cash used in operating activities	\$ (15,454)	\$ (8,414)
Cash paid for fixed assets	(28,412)	(32,641)
Free Cash Flow	\$ (43,866)	\$ (41,055)

Non-GAAP Financial Measures Footnotes

(1) Mexico Joint Venture EBITDA represents 50 percent of the entity's operating results for all periods, as adjusted to reflect the results on a basis comparable to Adjusted EBITDA. In the financial statements, this joint venture is accounted for as an equity method investment and reported net of depreciation and income taxes because such a presentation would not reflect the adjustments made in the calculation of Adjusted EBITDA, we include the 50 percent interest in the company's Mexico joint venture on an Adjusted EBITDA basis to ensure consistency. The table below presents a reconciliation of Mexico joint venture net income to Mexico joint venture EBITDA.

(in thousands)	13 Weeks Ended	
	May 3, 2025	May 4, 2024
Net income	\$ 9,220	\$ 9,555
Depreciation	6,597	6,948
Income tax expense	4,166	3,456
Foreign currency (gain) loss	(292)	479
Interest expense, net	704	553
EBITDA	<u>\$ 20,395</u>	<u>\$ 20,991</u>
50% of EBITDA	<u>\$ 10,198</u>	<u>\$ 10,496</u>

(2) Acquisition and divestiture-related integration costs include direct costs resulting from acquiring, integrating, or divesting businesses. These include third-party professional and legal fees, losses on sales of divestitures, and other integration-related costs that would not have otherwise been incurred as part of the company's operations.

(3) Other costs include, as incurred: restructuring costs and restructuring-related severance costs; legal reserves associated with significant, non-ordinary course legal or regulatory matters; and costs related to certain significant strategic transactions.

(4) We define net margin as net loss attributable to Class A and B-1 common stockholders divided by net sales and Adjusted EBITDA margin as Adjusted EBITDA divided by net sales.

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