

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT  
Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): March 12, 2024**

**Petco Health and Wellness Company, Inc.**

(Exact name of Registrant as Specified in Its Charter)

**Delaware**  
(State or Other Jurisdiction  
of Incorporation)

**001-39878**  
(Commission  
File Number)

**81-1005932**  
(IRS Employer  
Identification No.)

**10850 Via Frontera  
San Diego, California 92127**  
(Address of Principal Executive Offices)

**(858) 453-7845**  
(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value \$0.001 per share	WOOF	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

## **Item 2.02. Results of Operations and Financial Condition.**

On March 13, 2024, Petco Health and Wellness Company, Inc. (the “Company”) issued a press release disclosing its financial results for the quarter and year ended February 3, 2024. The full text of the press release is attached to this Current Report on Form 8-K as Exhibit 99.1.

The information being furnished pursuant to Item 2.02, including Exhibit 99.1, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise be subject to the liability of that section, and shall not be incorporated by reference into any other document filed under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

## **Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

### Interim Chief Executive Officer Appointment

On March 12, 2024, the Board of Directors (the “Board”) of the Company appointed R. Michael Mohan as the Company’s interim Chief Executive Officer (“interim CEO”), effective as of March 13, 2024. Mr. Mohan succeeds Ronald V. Coughlin, Jr., whose role as the Company’s Chief Executive Officer, Chairman and member of the Board ended effective March 12, 2024. As further described below, Mr. Coughlin will provide transition services as an employee through May 1, 2024 and will serve in a consultant capacity as an advisor to the Board for a 12-month period thereafter to support a smooth leadership transition.

Mr. Coughlin’s departure from the Board is not due to any disagreement with the Company or on any matter related to the Company’s operations, policies or practices. In connection with his departure from the Board, the size of the Board was reduced from 11 to 10 directors.

Mr. Mohan, 56, has served on the Board since March 2021 and as the Company’s Lead Independent Director since July 2021. In light of his appointment, Mr. Mohan will no longer serve as Lead Independent Director or as a member of the Audit Committee of the Board, but will continue to serve as a member of the Board. Previously, Mr. Mohan served as President and Chief Operating Officer of Best Buy Co., Inc., a multinational consumer retailer, from June 2019 to July 2021, where he was responsible for the operations of the company’s U.S. and International businesses. From 2004 to June 2019, he served in various leadership roles at Best Buy, overseeing services, customer experience, category management, merchandising, marketing, and supply chain functions. Prior to joining Best Buy, Mr. Mohan was Vice President and General Merchandising Manager for Good Guys. Mr. Mohan also previously worked at Future Shop in Canada from 1988 to 1997, prior to Best Buy’s acquisition of the company, where he served in various merchandising roles. Mr. Mohan also serves on the board of directors of VIZIO Holding Corp., Bloomin’ Brands, Inc., and Jackson Family Wines.

In connection with his appointment, the Company entered into an employment letter with Mr. Mohan that provides for (i) an initial base salary of \$1,100,000, (ii) a target bonus for fiscal 2024 equal to 125% of his base salary, pro-rated for the portion of the fiscal year that Mr. Mohan is employed as interim CEO, (iii) equity awards having an aggregate grant date value of \$8 million, one-third of which will be in the form of restricted stock units and two-thirds of which will be in the form of stock options with an exercise price of \$5.00 per share, in each case, vesting ratably in monthly installments for one year, and (iv) participation in the Company’s standard employee benefits. In the event Mr. Mohan’s employment ends prior to July 13, 2024, Mr. Mohan will be guaranteed base salary, a pro-rated bonus, and equity vesting as if he were employed through such date, unless his employment ends as a result of his resignation or a termination for cause. The foregoing summary of the employment letter does not purport to be a complete description of such letter and is qualified in its entirety by reference to the full text of such letter, a copy of which is attached hereto as Exhibit 10.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Mr. Mohan was not selected pursuant to any arrangement or understanding between him and any other person. Mr. Mohan does not have any family relationships with any director or executive officer of the Company, and there are no transactions in which Mr. Mohan has an interest requiring disclosure under Item 404(a) of Regulation S-K.

### Separation and Consulting Agreement

Mr. Coughlin entered into a separation and consulting agreement and general release of claims with Petco Animal Supplies Stores, Inc., the Company and Scooby LP on March 12, 2024 (the “Separation Agreement”). Under the Separation Agreement, Mr. Coughlin will provide transition services to the Company as an employee through May 1, 2024 (the “Separation Date”). In consideration for a fulsome release of claims in favor of the Company and its affiliates, the Separation Agreement provides for the separation payments and benefits set forth under Mr. Coughlin’s employment agreement and the terms of his outstanding equity award agreements. In addition, the Separation Agreement provides that Mr. Coughlin may utilize his fiscal 2024 executive physical benefit if previously

unused, and Scooby LP agreed to waive its rights to call Mr. Coughlin's Common Series C Units in Scooby LP. Under the Separation Agreement, Mr. Coughlin has agreed to serve in a consultant capacity as an advisor to the Board for a 12-month period following the Separation Date, with a monthly consulting fee of \$107,500.

The foregoing summary of the Separation Agreement does not purport to be a complete description of the Separation Agreement and is qualified in its entirety by reference to the full text of the Separation Agreement, a copy of which is attached hereto as Exhibit 10.2 to this Current Report on Form 8-K and is incorporated herein by reference.

#### **Item 7.01. Regulation FD Disclosure.**

On March 13, 2024, the Company issued a press release announcing the appointment of Mr. Mohan. A copy of the press release is attached as Exhibit 99.2 hereto.

The Company has scheduled a webcast call at 8:00 a.m. Eastern Time on March 13, 2024 to discuss the Company's financial results for the quarter and year ended February 3, 2024. In addition to the press release, an earnings presentation will be made available on the Company's investor relations page at [ir.petco.com](http://ir.petco.com). A replay of the webcast will also be made available on the Company's investor relations page through March 27, 2024 at approximately 5:00 p.m. Eastern Time.

The information being furnished pursuant to Item 7.01 of this Current Report on Form 8-K, including Exhibit 99.2 attached hereto, shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise be subject to the liability of that section, and shall not be incorporated by reference into any other document filed under the Securities Act, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

#### **Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits

<b>Exhibit Number</b>	<b>Description</b>
10.1	<a href="#"><u>Employment Letter, dated March 12, 2024, between Petco Health and Wellness Company, Inc. and R. Michael Mohan, effective as of March 13, 2024.</u></a>
10.2	<a href="#"><u>Separation and Consulting Agreement and General Release of Claims by and between Petco Animal Supplies Stores, Inc., Petco Health and Wellness Company, Inc., Scooby LP and Ronald V. Coughlin, Jr., dated March 12, 2024.</u></a>
99.1	<a href="#"><u>Press Release, dated March 13, 2024, relating to Petco Health and Wellness Company, Inc.'s financial results for the quarter and year ended February 3, 2024, issued by Petco Health and Wellness Company, Inc.</u></a>
99.2	<a href="#"><u>Press release, dated March 13, 2024, relating to the Interim Chief Executive Officer appointment, issued by Petco Health and Wellness Company, Inc.</u></a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**Petco Health and Wellness Company, Inc.**

Date: March 13, 2024

By: /s/ Giovanni Insana

Name: Giovanni Insana

Title: Chief Legal Officer and Secretary



March 12, 2024

Dear Mike,

We are pleased that you have agreed to serve as the interim Chief Executive Officer of Petco Health and Wellness Company, Inc. and its subsidiaries (“Petco”) reporting to the Board of Directors of Petco (the “Board”) while the Board seeks a permanent Chief Executive Officer. It is expected that you will continue to serve on the Board (but not any Board committees), while also serving as interim Chief Executive Officer of Petco; however, you will no longer be eligible to receive compensation for service on the Board during the Service Period (as defined below).

Please take a moment to review notable details of your offer below:

Service Period – Your employment will begin on March 13, 2024 (the “Effective Date”) and end upon your termination of employment (the “Service Period”).

Base Salary – During the Service period, your annual base salary will be \$1,100,000 per year, prorated and paid on a bi-weekly basis. In the event of an Early Termination (as defined below), and subject to your execution and non-revocation of a general release of claims against Petco and its affiliates, you will receive a lump sum payment within 30 days of the effectiveness of such release of any unpaid base salary that would have been earned had the Service Period been for four months.

Annual Incentive - You will be eligible to receive a target annual bonus equal to 125% of your annual base salary under Petco’s annual incentive plan, prorated based on the portion of the Service Period that occurs during the fiscal year; however, in the event of an Early Termination, and subject to your execution and non-revocation of a general release of claims against Petco and its affiliates, you shall be entitled to receive any annual cash incentive that would have been earned had the Service Period been four months. Annual incentives are earned based on company and individual performance subject to goals established by the Compensation Committee of the Board. Any annual cash bonus due to you will be paid at the same time annual cash incentives are paid to other executive officers of the Company. The Compensation Committee reserves the right to modify the incentive plan at its sole discretion.

Long Term Incentive – Subject to approval by the Board, you will be granted equity awards under the Petco Health and Wellness Company, Inc. 2021 Equity Incentive Plan (as amended, the “Equity Plan”) with a grant date value of approximately \$8,000,000, which will be granted one-third in the form of restricted stock units (“RSUs”) and two-thirds in the form of stock options (“Options”). The grant date is expected to be March 15, 2024. The number of RSUs will be determined based on Petco’s closing stock price on the applicable date of grant. The exercise price of the Options will be \$5.00 and the number of Options will be determined based on a Black-Scholes valuation on the applicable date of grant. The RSUs and Options will vest in equal monthly installments over the 12-month period following the Effective Date, subject to your continued employment through each vesting date. In the event of an Early Termination, and subject to your execution and non-revocation of a general release of claims against Petco and its affiliates, the RSUs and Options that would have vested on or prior to the four-month anniversary of the Effective Date will be fully vested as of the date of such Early Termination.

Employee Benefits – During the Service Period, you will be eligible to participate in Petco’s retirement and health and welfare benefit plans as in effect from time to time on the same basis as those benefits are generally made available to other executive officers of Petco, in each case, to the extent that you are eligible under the terms of such plans or programs.



Location – Your primary work location will be remote; however, Petco may require that you travel to Petco’s headquarters in San Diego, California or other Petco locations in the performance of your duties hereunder.

Expense Reimbursement – During the Service Period, reasonable business expenses incurred by you in the performance of your duties hereunder shall be advanced or promptly reimbursed by Petco in accordance with Petco’s policies as in effect from time to time. So long as your primary work location is remote, Petco will reimburse you for reasonable expenses incurred related to your travel to Petco’s headquarters in San Diego, California (including, but not limited to, accommodations, rental cars and flights).

Definitions – As used herein:

- “Cause” shall have the meaning set forth in the Equity Plan.
- “Disqualifying Termination” means a termination of your employment by Petco for cause or as a result of your resignation for any reason (other than your resignation in connection with the appointment of a permanent Chief Executive Officer).
- “Early Termination” means a termination of your employment for any reason prior to the four-month anniversary of the Effective Date, other than a Disqualifying Termination.

Petco is an “at will” employer and as such, employment with Petco is not for a fixed term or definite period and may be terminated at the will of either party, with or without Cause, and without prior notice. Other than as specifically set forth herein in the event of an Early Termination, you will not be eligible to receive severance or other separation payments or benefits in connection with the termination of the Service Period, and you will not be eligible to participate in the Petco Health and Wellness Company, Inc. Executive Severance Plan. No representative of the Company (except the Board) has the authority to enter into any agreement for employment for any specified period of time, or to make any agreement contrary to the above.

We look forward to your joining the Petco executive leadership team as the interim Chief Executive Officer. Please confirm your agreement to the terms set forth in this letter by signing below.

Sincerely,

/s/ Cameron Breitner

Cameron Breitner  
Chair of the Compensation Committee



ACKNOWLEDGED AND AGREED:

/s/ R. Michael Mohan

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R. Michael Mohan

Date: March 12, 2024

**SEPARATION AND CONSULTING AGREEMENT  
AND GENERAL RELEASE OF CLAIMS**

This SEPARATION AND CONSULTING AGREEMENT AND GENERAL RELEASE OF CLAIMS (this “Agreement”) is entered into by and between Petco Animal Supplies Stores, Inc. (the “Company”), Ronald V. Coughlin, Jr. (“Executive”), and solely for purposes of Sections 2(c) through 2(f), Petco Health and Wellness Company, Inc. (“Petco”) and Scooby LP (“Scooby”). Executive, the Company, Petco and Scooby are each referred to herein as a “Party” and collectively as the “Parties.”

**WHEREAS**, Executive’s employment with the Company will terminate effective as of May 1, 2024, unless earlier terminated in accordance with the terms hereof (such actual date of termination, the “Separation Date”);

**WHEREAS**, Executive holds the Common Series C Units in Scooby set forth on Exhibit A hereto (the “Units”) pursuant to those Common Series C Unit Award Agreements between Executive and Scooby (collectively, the “C Unit Agreements”), which are expected to be vested and unvested as of May 1, 2024 as set forth on Exhibit A;

**WHEREAS**, Executive holds the restricted stock units (“RSUs”), performance stock units (“PSUs”) and stock options set forth on Exhibit B pursuant to those award agreements between Executive and Petco (collectively, the “Award Agreements”) granted under the Petco Health and Wellness Company, Inc. 2021 Equity Incentive Plan (as amended, the “2021 Plan”), which are expected to be vested and unvested as of May 1, 2024 as set forth on Exhibit B;

**WHEREAS**, Executive and the Company are parties to that certain Amended and Restated Employment Agreement dated December 3, 2020 by and between the Company, Petco and Executive (the “Employment Agreement”);

**WHEREAS**, the Company, Petco and Scooby wish to provide Executive with certain separation benefits, which are conditioned upon Executive’s execution, delivery and non-revocation of this Agreement and the Confirming Release (as defined below); and

**WHEREAS**, the Parties wish to resolve any and all claims that Executive has or may have against the Company, Petco, Scooby and the other Company Parties (as defined below), including any claims that Executive has or may have arising from or relating to Executive’s employment, or the end of Executive’s employment, with any Company Party.

**NOW, THEREFORE**, in consideration of the promises set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Executive and the Company, the Parties, intending to be legally bound, hereby agree as follows:

**1. Transition; Separation from Employment.**

(a) Between March 12, 2024 (the “Transition Date”) and the Separation Date (the “Transition Period”), Executive shall (i) remain employed by the Company as a full-time employee, (ii) continue to faithfully and efficiently perform Executive’s duties, as may be modified or requested by the Company, (iii) remain available during regular business hours to address communication requests, and (iv) provide any transition services as reasonably requested by the Board. Effective as of 11:59 p.m. PT on the Transition Date, Executive hereby resigns (A) as an officer of the Company and its affiliates (as applicable) and (B) from the board of managers, board of directors or similar governing body of each of the Company and its affiliates (as applicable) and any other corporation, limited liability company, trade



organization, or other entity in which the Company or any of its affiliates holds an equity interest or with respect to which board or similar governing body Executive serves as the designee or other representative of the Company or any of its affiliates. For the avoidance of doubt, as of the Transition Date, Executive shall no longer represent the Company in any manner and shall not hold himself out as a representative of the Company.

(b) The Company and Executive acknowledge and agree that Executive's employment with the Company will end as of the Separation Date. As of the Separation Date, Executive will no longer be employed by the Company or any other Company Party. Notwithstanding anything herein to the contrary, Executive's employment with the Company may end prior to May 1, 2024 as a result of (i) Executive's resignation, (ii) the Company's termination of Executive's employment for Cause (as defined in the Employment Agreement), or (iii) Executive's death or Disability (as defined in the Employment Agreement). In the event of such earlier termination of employment, the Separation Date shall be the actual date of such termination; provided, however, that if such earlier termination occurs as a result of clauses (i) or (ii), Executive shall no longer be eligible to receive the payments and benefits set forth in Section 2 and the Consulting Period set forth under Section 5 shall not commence.

**2. Separation Payments and Benefits.** Provided that Executive: (x) executes this Agreement and returns a copy of this Agreement that has been executed by Executive to the Company so that it is received by Giovanni Insana, Chief Legal Officer and Secretary, 10850 Via Frontera, San Diego, California 92127 (email: Giovanni.Insana@petco.com) by no later than 5:00 pm PT on March 13, 2024; (y) as set forth in Section 9, executes and returns to the Company a copy of the Confirming Release on the Separation Date and does not revoke the Confirming Release pursuant to the terms of the Confirming Release; and (z) remains in compliance with the other terms and conditions set forth in this Agreement (including Sections 6 and 7) and the Confirming Release, Executive shall be provided with the following separation payments and benefits:

(a) The Company shall pay to Executive a lump sum cash payment of \$1,650,000, representing 18 months of Executive's base salary, payable within 30 days following the expiration of the Release Revocation Period (as defined in the Confirming Release);

(b) The Company shall pay to Executive a pro rata portion of the Annual Performance Bonus (as defined in the Employment Agreement), if any, that Executive would have been entitled to receive in respect of the 2024 fiscal year based on the number of days employed during such fiscal year, but only to the extent of achievement of the applicable Company performance criteria (disregarding any individual performance criteria) for such Annual Performance Bonus, payable when annual bonuses for the 2024 fiscal year are paid to other Company executives;

(c) In accordance with the terms of the C Unit Agreements, the Units designated on Exhibit A to be accelerated shall become fully vested effective as of the Separation Date upon the expiration of the Release Revocation Period, and for the avoidance of doubt, all of the Units (including the Units that vest hereunder) shall otherwise remain subject to the terms and conditions of the C Unit Agreements in all respects;

(d) In accordance with the terms of the Award Agreements, the RSUs and stock options designated on Exhibit B to be accelerated shall become fully vested effective as of the Separation Date upon the expiration of the Release Revocation Period (as defined below), and for the avoidance of doubt, all of the RSUs and stock options (including those that vest hereunder) shall otherwise remain subject to the terms and conditions of the Award Agreements in all respects;

(e) In accordance with the terms of the Award Agreements, the PSUs designated on Exhibit B as eligible to become earned and vested shall remain outstanding and eligible to become earned (subject to the applicable performance-based vesting conditions set forth in the applicable Award Agreement) and for the avoidance of doubt, such PSUs shall otherwise remain subject to the terms and conditions of the Award Agreement in all respects;

(f) Scooby hereby waives its rights to call the Units under Section 9.2 of the Third Amended and Restated Agreement of Limited Partnership of Scooby dated as of January 19, 2021 (as may be amended) and any right Scooby may have to call the Units under the C Unit Agreements.

(g) The Company shall provide continued medical benefits at the Company's sole expense for a period of 18 months to the extent Executive elects and remains eligible to continue those benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985; provided, that if the Company determines that it cannot provide such continued medical benefits without adverse tax consequences to Executive or the Company or for any other reason, then the Company shall, in lieu thereof, provide to Executive a taxable amount equal to the monthly plan premium payment for such medical benefits in substantially equal monthly installments over the 18-month period (or the remaining portion thereof); and

(h) To the extent Executive has not used his executive physical benefit for the 2024 fiscal year as of the Separation Date, Executive shall remain eligible to use such benefit prior to the end of the 2024 fiscal year.

Executive acknowledges and agrees that the consideration referenced in this Section 2 represents the entirety of the amounts Executive is eligible to receive as severance pay and benefits from the Company or any other Company Party. Executive further acknowledges that as of the Separation Date, (i) all Units which remain unvested after giving effect to Section 2(c) shall be forfeited upon the Separation Date for no consideration, and Executive shall have no rights with respect thereto; (ii) all unvested RSUs and stock options granted under the 2021 Plan which remain unvested after giving effect to Section 2(d) shall be forfeited upon the Separation Date, and such awards shall terminate automatically and without any further action by the Company and at no cost to the Company, and (iii) all PSUs granted under the 2021 Plan which do not remain outstanding as provided in Section 2(e) shall be forfeited upon the Separation Date, and such awards shall terminate automatically and without any further action by the Company and at no cost to the Company. For the avoidance of doubt, notwithstanding the Services (as defined below), the Separation Date shall be a Termination of Employment (as defined in the 2021 Plan).

### **3. Release of Liability for Claims.**

(a) For good and valuable consideration, including the consideration set forth in Section 2 (and any portion thereof), Executive knowingly and voluntarily (for Executive, Executive's family, and Executive's heirs, executors, administrators and assigns) hereby releases and forever discharges the Company, Scooby, Petco (collectively, the "Petco Affiliated Entities") and their respective affiliates, predecessors, successors, subsidiaries and benefit plans, and the foregoing entities' respective equity-holders, officers, directors, managers, members, partners, Executives, agents, representatives, and other affiliated persons, and the Company's and its affiliates' benefit plans (and the fiduciaries and trustees of such plans) (collectively, the "Company Parties"), from liability for, and Executive hereby waives, any and all claims, damages, or causes of action of any kind related to Executive's ownership of any interest in any Company Party, Executive's employment with any Company Party, the termination of such employment, and any other acts or omissions related to any matter occurring on or prior to the date that Executive executes this Agreement, including (i) any alleged violation through such time of: (A) any federal, state or local anti-discrimination, anti-harassment or anti-retaliation law, regulation or ordinance, including the Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, Sections 1981

through 1988 of Title 42 of the United States Code and the Americans with Disabilities Act of 1990, as amended; (B) the Employee Retirement Income Security Act of 1974 (“ERISA”); (C) the Immigration Reform Control Act; (D) the National Labor Relations Act; (E) the Occupational Safety and Health Act; (F) the Family and Medical Leave Act of 1993; (G) the California Pregnancy Disability Leave law, the California Family Rights Act, the Healthy Workplace Healthy Family Act of 2014, the California Labor Code, the Private Attorneys’ General Act (Labor Code § 2698 et seq.), any Wage Orders issued by the California Industrial Welfare Commission and the California Business and Professions Code; (H) any federal, state or local wage and hour law; (I) any other local, state or federal law, regulation or ordinance; or (J) any public policy, contract, tort, or common law claim; (ii) any and all rights, benefits or claims Executive may have under any employment contract, incentive compensation plan or equity-based plan with any Company Party or to any ownership interest in any Company Party (including the Employment Agreement, the Award Agreements and the C Unit Agreements); (iii) any claim for compensation or benefits of any kind not expressly set forth in this Agreement; and (iv) any allegation for costs, fees, or other expenses including attorneys’ fees incurred in or with respect to any of the foregoing (collectively, the “Released Claims”). This Agreement is not intended to indicate that any such claims exist or that, if they do exist, they are meritorious. Rather, Executive is simply agreeing that, in exchange for any consideration received by Executive pursuant to Section 2, any and all potential claims of this nature that Executive may have against the Company Parties, regardless of whether they actually exist, are expressly settled, compromised and waived. **THIS RELEASE INCLUDES MATTERS ATTRIBUTABLE TO THE SOLE OR PARTIAL NEGLIGENCE (WHETHER GROSS OR SIMPLE) OR OTHER FAULT, INCLUDING STRICT LIABILITY, OF ANY OF THE COMPANY PARTIES.**

(b) Section 1542 of the Civil Code of the State of California (“Section 1542”) provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Executive waives all rights under Section 1542 or any other law or statute of similar effect in any jurisdiction with respect to the Released Claims. Executive acknowledges that Executive understands the significance and specifically assumes the risk regarding the consequences of such release and such specific waiver of Section 1542.

(c) For the avoidance of doubt, nothing in this Agreement releases Executive’s rights to receive payments or benefits pursuant to Section 2. Further, in no event shall the Released Claims include (i) any claim that arises after the date that Executive signs this Agreement; (ii) any claim to unemployment benefits, worker’s compensation or vested benefits under an employee benefit plan that is subject to ERISA; (iii) any claim for breach of, or otherwise arising out of, this Agreement; (iv) any right to indemnification that the Executive may have pursuant to the Company’s bylaws, its corporate charter or under any written indemnification agreement with the Company (or any corresponding provision of any subsidiary or affiliate of the Company) with respect to any loss, damages or expenses (including but not limited to attorneys’ fees to the extent otherwise provided) that the Executive may in the future incur with respect to his service as an employee, officer or director of the Company or any of its subsidiaries or affiliates; (v) with respect to any rights that the Executive may have to insurance coverage for such losses, damages or expenses under any Company (or subsidiary or affiliate) directors and officers liability insurance policy; (vi) any rights in respect of vested RSUs, PSUs, stock options or Units; or (vii) Executive’s right to file and pursue a civil action or complaint under the California Fair Employment and Housing Act. Further notwithstanding this release of liability, nothing in this Agreement prevents Executive from filing any non-legally waivable claim (including a challenge to the validity of this

Agreement) with the Equal Employment Opportunity Commission (“EEOC”) or comparable state or local agency or participating in (or cooperating with) any investigation or proceeding conducted by the EEOC or comparable state or local agency or cooperating in any such investigation or proceeding; however, Executive understands and agrees that Executive is waiving any and all rights to recover any monetary or personal relief from a Company Party as a result of such EEOC or comparable state or local agency or proceeding or subsequent legal actions. Further, nothing in this Agreement prohibits or restricts Executive from (A) filing a charge or complaint with, or cooperating in any investigation with, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, or any other governmental agency, entity or authority (each, a “Government Agency”), (B) reporting violations of U.S. federal or state laws or regulations to a Government Agency, (C) making disclosures that are protected under U.S. federal and state whistleblower laws and regulations or (D) accepting any monetary reward in connection therewith. Nothing herein shall prevent Executive from discussing or disclosing information regarding unlawful acts in the workplace, such as harassment, discrimination or any other conduct that Executive has reason to believe is unlawful.

**4. Representations and Warranties Regarding Claims.** Executive represents and warrants that Executive has not made any assignment, sale, delivery, transfer or conveyance of any rights Executive has asserted or may have against any of the Company Parties with respect to any Released Claim.

#### **5. Consulting Services.**

(a) Beginning on the Separation Date and continuing through the first anniversary of the Separation Date (such period, as may be extended or earlier terminated as provided in Section 5(d), the “Consulting Period”), the Company and Executive agree that Executive shall serve as a consultant to the Company providing transition and advisory services, as may be requested from time to time by the Board of Directors of Petco (the “Services”).

(b) During the Consulting Period, Executive shall receive a monthly consulting fee of \$107,500, payable in cash within 15 days following the end of the applicable calendar month and pro-rated for any partial calendar months. As an independent contractor, no income or other taxes shall be withheld from the amounts paid to Executive pursuant to this Section 5(b).

(c) During the Consulting Period, Executive’s relationship with the Company shall be that of an independent contractor. Executive shall control and determine how the Services are to be accomplished; provided, however, that in all events Executive shall perform the Services in a quality, workmanlike manner and within reasonable deadlines established by the Company and consistent with the professional talent of Executive that Executive applied during Executive’s prior service with the Company. As an independent contractor, Executive shall not participate as an active employee in any employee benefit plan of the Company or an affiliate. The Executive and the Company agree that in no event will the Company require, nor will the Executive perform, a level of services during the Consulting Period that would result in Executive not having a “separation from service” (within the meaning of Section 409A (as defined below)) from the Company and its affiliates on the Separation Date.

(d) Notwithstanding any other provision of this Section 5 to the contrary, the Consulting Period may be terminated (i) by Executive for any reason, (ii) by the Company for Cause or (iii) as a result of Executive’s death or Disability.

## **6. Covenants.**

(a) Executive acknowledges and agrees that Executive has continuing obligations to the Company and its affiliates pursuant to that certain Confidentiality and Inventions Agreement, including obligations relating to confidentiality and intellectual property, and pursuant to the Employment Agreement regarding confidential and proprietary information and non-solicitation (collectively, the “Covenants”). In entering into this Agreement, Executive acknowledges the continued effectiveness and enforceability of the Covenants, and Executive expressly reaffirms Executive’s commitment to abide by, and agrees that he will abide by, the terms of the Covenants.

(b) Executive shall refrain from publishing any oral or written statements about the Company and any Company Party that (i) are slanderous, libelous, disparaging or defamatory, (ii) disclose confidential information of or regarding any Company Party’s business affairs, directors, officers, managers, members, employees, consultants, agents or representatives, or (iii) place the Company, any Company Party or any of their respective directors, officers, managers, members, employees, consultants, agents or representatives in a false light before the public. The Company agrees to direct its current executive officers to refrain from publishing any oral or written statements about Executive that are slanderous, libelous, disparaging or defamatory or that place Executive in a false light before the public.

**7. Covenant to Cooperate in Legal Proceedings.** Executive agrees to fully cooperate with the Petco Affiliated Entities and provide truthful information in any internal investigation, any administrative, regulatory, or judicial proceeding or any dispute with a third party. Executive understands and agrees that Executive’s cooperation may include making Executive available to the Petco Affiliated Entities upon reasonable notice for interviews and factual investigations; appearing at the Petco Affiliated Entities’ request to give testimony without requiring service of a subpoena or other legal process; volunteering to the Petco Affiliated Entities pertinent information received by Executive in Executive’s capacity as an employee; and turning over to the Petco Affiliated Entities all relevant documents which are or may come into Executive’s possession in Executive’s capacity an employee or otherwise, all at times and on schedules that are reasonably consistent with Executive’s other permitted activities and commitments.

**8. Executive’s Acknowledgements.** By executing and delivering this Agreement, Executive expressly acknowledges that:

(a) Executive has been given sufficient time to review and consider this Agreement. If Executive signs this Agreement before the expiration date set forth in Section 2, Executive has knowingly and voluntarily waived any longer consideration period than the one provided to Executive and such earlier signature was not induced by the Company through fraud, misrepresentation or a threat to withdraw or alter this Agreement prior to such expiration.

(b) Executive is receiving, pursuant to this Agreement, consideration in addition to anything of value to which Executive is already entitled;

(c) Executive has been advised, and hereby is advised in writing, to discuss this Agreement with an attorney of Executive’s choice and that Executive has had an adequate opportunity to do so prior to executing this Agreement;

(d) Executive fully understands the final and binding effect of this Agreement; the only promises made to Executive to sign this Agreement are those stated herein; Executive is signing this Agreement knowingly, voluntarily and of Executive’s own free will with the full intent of releasing the Company Parties of all claims; Executive acknowledges and agrees that Executive has carefully read this Agreement; and that Executive understands and agrees to each of the terms of this Agreement;

(e) The only matters relied upon by Executive in causing Executive to sign this Agreement are the provisions set forth in writing within the four corners of this Agreement; and

(f) No Company Party has provided any tax or legal advice regarding this Agreement, and Executive has had an adequate opportunity to receive sufficient tax and legal advice from advisors of Executive's own choosing such that Executive enters into this Agreement with full understanding of the tax and legal implications thereof.

**9. Reaffirmation of Release.** On the Separation Date, Executive shall execute the Confirming Release Agreement that is attached as Exhibit C (the "Confirming Release"), and return Executive's executed Confirming Release to the Company so that it is received by Giovanni Insana, Chief Legal Officer and Secretary, 10850 Via Frontera, San Diego, California 92127 (email: Giovanni.Insana@petco.com) on the Separation Date.

**10. Governing Law.** This Agreement and its performance and, if executed, the Confirming Release will be construed and interpreted in accordance with the laws of the State of California, without regard to principles of conflicts of law that would apply the substantive law of any other jurisdiction.

**11. Counterparts.** This Agreement may be executed in several counterparts, including by .PDF or .GIF attachment to email or by facsimile, each of which is deemed to be an original, and all of which taken together constitute one and the same agreement.

**12. Amendment; Entire Agreement.** This Agreement may not be changed orally but only by an agreement in writing agreed to and signed by the Party to be charged. This Agreement, the C Unit Agreements, the Award Agreements, the Covenants and, if executed, the Confirming Release, constitute the entire agreement of the Parties with regard to the subject matter hereof and supersede all prior and contemporaneous agreements and understandings, oral or written, between Executive and any Company Party with regard to the subject matter hereof.

**13. Third-Party Beneficiaries.** Executive expressly acknowledges and agrees that each Petco Affiliated Entity that is not a party to this Agreement shall be a third-party beneficiary of Sections 3, 6, 7 and 15 and, if executed, the Confirming Release, and entitled to enforce such provisions as if it were a party hereto.

**14. Further Assurances.** Executive shall, and shall cause Executive's affiliates, representatives and agents to, from time to time at the request of the Company and without any additional consideration, furnish the Company with such further information or assurances, execute and deliver such additional documents, instruments and conveyances, and take such other actions and do such other things, as may be reasonably necessary or desirable, as determined in the sole discretion of the Company, to carry out the provisions of this Agreement.

**15. Severability.** Any term or provision of this Agreement (or part thereof) that renders such term or provision (or part thereof) or any other term or provision (or part thereof) hereof invalid or unenforceable in any respect shall be severable and shall be modified or severed to the extent necessary to avoid rendering such term or provision (or part thereof) invalid or unenforceable, and such modification or severance shall be accomplished in the manner that most nearly preserves the benefit of the Parties' bargain hereunder.

**16. Interpretation.** The Section headings have been inserted for purposes of convenience and shall not be used for interpretive purposes. The words "hereof," "herein" and "hereunder" and other compounds of the word "here" shall refer to the entire Agreement and not to any particular provision hereof. The use herein of the word "including" following any general statement, term or matter shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as

“without limitation”, “but not limited to”, or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter. The word “or” as used herein is not exclusive and is deemed to have the meaning “and/or.” Unless the context requires otherwise, all references herein to a law, agreement, instrument or other document shall be deemed to refer to such law, agreement, instrument or other document as amended, supplemented, modified and restated from time to time to the extent permitted by the provisions thereof. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed against any Party, whether under any rule of construction or otherwise. This Agreement has been reviewed by each of the Parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the Parties.

**17. No Assignment**. No right to receive payments and benefits under this Agreement shall be subject to set off, offset, anticipation, commutation, alienation, assignment, encumbrance, charge, pledge or hypothecation or to execution, attachment, levy, or similar process or assignment by operation of law.

**18. Withholdings; Deductions**. The Company may withhold and deduct from any payments or benefits made or to be made pursuant to this Agreement (a) all federal, state, local and other taxes as may be required pursuant to any law or governmental regulation or ruling and (b) any deductions consented to in writing by Executive.

**19. Section 409A**. This Agreement and the benefits provided hereunder are intended be exempt from, or compliant with, the requirements of Section 409A of the Internal Revenue Code of 1986 and the Treasury regulations and other guidance issued thereunder (collectively, “Section 409A”) and shall be construed and administered in accordance with such intent. Each installment payment under this Agreement shall be deemed and treated as a separate payment for purposes of Section 409A. Notwithstanding the foregoing, the Company makes no representations that the benefits provided under this Agreement are exempt from the requirements of Section 409A and in no event shall the Company or any other Company Party be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by Executive on account of non-compliance with Section 409A.

**IN WITNESS WHEREOF**, the Parties have executed this Agreement as of the dates set forth beneath their names below, effective for all purposes as provided above.

**EXECUTIVE**

/s/ Ronald V. Coughlin, Jr.

\_\_\_\_\_  
Ronald V. Coughlin, Jr.

Date: March 12, 2024

**PETCO ANIMAL SUPPLIES STORES, INC.**

By: /s/ Holly May

\_\_\_\_\_  
Name: Holly May

Title: Chief Human Resources Officer

Date: March 12, 2024

**PETCO HEALTH AND WELLNESS COMPANY, INC.**

By: /s/ Holly May

\_\_\_\_\_  
Name: Holly May

Title: Chief Human Resources Officer

Date: March 12, 2024

**SCOOBY LP**

By: /s/ Nishad Chande

\_\_\_\_\_  
Name: Nishad Chande

Title: Authorized Signatory

Date: March 12, 2024

**AGREEMENT SHALL NOT BE ENTERED UNTIL ON OR AFTER  
MARCH 12, 2024, AS PROVIDED HEREIN.**

SIGNATURE PAGE TO  
SEPARATION AND CONSULTING AGREEMENT  
AND GENERAL RELEASE OF CLAIMS



**EXHIBIT A**

**COMMON SERIES C UNITS**

<b><u>Date of Grant</u></b>	<b><u>Vesting Commencement Date</u></b>	<b><u>Distribution Threshold</u></b>	<b><u>Expected to be Vested as of May 1, 2024</u></b>	<b><u>Expected to be Unvested as of May 1, 2024</u></b>	<b><u>Accelerated under Section 2(c)</u></b>
June 3, 2019	April 1, 2019	\$ 0.50	30,000,000	0	0
August 1, 2018	June 4, 2018	\$ 0.75	30,000,000	0	N/A
August 1, 2018	June 4, 2018	\$ 1.00	15,000,000	0	N/A
August 25, 2020	July 27, 2020	\$ 1.00	9,000,000	6,000,000	2,286,885

EXHIBIT A

**EXHIBIT B****RSUs AND STOCK OPTIONS UNDER THE 2021 PLAN**

<u>Date of Grant</u>	<u>Award Type</u>	<u>Expected to be Vested as of May 1, 2024</u>	<u>Expected to be Unvested as of May 1, 2024</u>	<u>Accelerated under Section 2(d)</u>
January 13, 2021	Options	1,250,000	0	N/A
April 26, 2022	RSUs	135,208	66,597	66,597
December 5, 2022	Options	543,955	1,269,232	1,269,232
April 10, 2023	RSUs	159,492	309,603	154,801

**PSUs UNDER THE 2021 PLAN**

<u>Date of Grant</u>	<u>Unvested Target PSUs as of May 1, 2024</u>	<u>Target PSUs Remaining Outstanding and Eligible to Become Earned and Vested under Section 2(e)</u>	<u>Forfeited as of Separation Date</u>
April 26, 2022	201,805	201,805	0
April 10, 2023	469,095	0	469,095

EXHIBIT B

**EXHIBIT C**

**CONFIRMING RELEASE**

This Confirming Release (the "Confirming Release") is that certain Confirming Release referenced in the Separation and Consulting Agreement and General Release of Claims (the "Separation Agreement"), entered into by and between Petco Animal Supplies Stores, Inc. (the "Company"), Ronald V. Coughlin, Jr. ("Executive"), and solely for purposes of Sections 2(c) through 2(f) thereof, Petco Health and Wellness Company, Inc. ("Petco") and Scooby LP ("Scooby"). Unless sooner revoked by Executive pursuant to the terms of Section 5 below, Executive's acceptance of this Confirming Release becomes irrevocable and this Confirming Release becomes effective on the eighth day after Executive signs it. Capitalized terms used herein that are not otherwise defined have the meanings assigned to them in the Separation Agreement. In signing below, Executive agrees as follows:

**1. Receipt of Leaves and Other Compensation.** Executive acknowledges and agrees that Executive has been paid in full all bonuses, been provided all benefits, and otherwise received all wages, compensation and other sums that Executive has been owed by each Company Party. Executive further acknowledges and agrees that Executive has received all leaves (paid and unpaid) that Executive has been entitled to receive from each Company Party.

**2. Release of Liability for Claims.**

(a) For good and valuable consideration, including the consideration set forth in Section 2 of the Separation Agreement (and any portion thereof), Executive knowingly and voluntarily (for Executive, Executive's family, and Executive's heirs, executors, administrators and assigns) hereby releases and forever discharges the Company Parties from liability for, and Executive hereby waives, any and all claims, damages, or causes of action of any kind related to Executive's ownership of any interest in any Company Party, Executive's employment with any Company Party, the termination of such employment, and any other acts or omissions related to any matter occurring on or prior to the date that Executive executes this Confirming Release, including (i) any alleged violation through such time of: (A) any federal, state or local anti-discrimination, anti-harassment or anti-retaliation law, regulation or ordinance, including the Age Discrimination in Employment Act of 1967 (including as amended by the Older Workers Benefit Protection Act), Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, Sections 1981 through 1988 of Title 42 of the United States Code and the Americans with Disabilities Act of 1990, as amended; (B) ERISA; (C) the Immigration Reform Control Act; (D) the National Labor Relations Act; (E) the Occupational Safety and Health Act; (F) the Family and Medical Leave Act of 1993; (G) California's Fair Employment and Housing Act, the California Pregnancy Disability Leave law, the California Family Rights Act, the Healthy Workplace Healthy Family Act of 2014, the California Labor Code, the Private Attorneys' General Act (Labor Code § 2698 et seq.), any Wage Orders issued by the California Industrial Welfare Commission and the California Business and Professions Code; (H) any federal, state or local wage and hour law; (I) any other local, state or federal law, regulation or ordinance; or (J) any public policy, contract, tort, or common law claim; (ii) any and all rights, benefits or claims Executive may have under any employment contract, incentive compensation plan or equity-based plan with any Company Party or to any ownership interest in any Company Party (including the Employment Agreement, the Award Agreements and the C Unit Agreements); (iii) any claim for compensation or benefits of any kind not expressly set forth in this Confirming Release; and (iv) any allegation for costs, fees, or other expenses including attorneys' fees incurred in or with respect to any of the foregoing (collectively, the "Further Released Claims"). This Confirming Release is not intended to indicate that any such claims exist or that, if they do exist, they are meritorious. Rather, Executive is simply agreeing that, in exchange for any consideration received by Executive pursuant to Section 2, any and all potential claims of this nature that Executive may have against the Company Parties, regardless of

EXHIBIT C

whether they actually exist, are expressly settled, compromised and waived. **THIS RELEASE INCLUDES MATTERS ATTRIBUTABLE TO THE SOLE OR PARTIAL NEGLIGENCE (WHETHER GROSS OR SIMPLE) OR OTHER FAULT, INCLUDING STRICT LIABILITY, OF ANY OF THE COMPANY PARTIES.**

(b) Section 1542 of the Civil Code of the State of California (“Section 1542”) provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Executive waives all rights under Section 1542 or any other law or statute of similar effect in any jurisdiction with respect to the Further Released Claims. Executive acknowledges that Executive understands the significance and specifically assumes the risk regarding the consequences of such release and such specific waiver of Section 1542.

(c) For the avoidance of doubt, nothing in this Confirming Release releases Executive’s rights to receive payments or benefits pursuant to Section 2 of the Separation Agreement. Further, in no event shall the Further Released Claims include (i) any claim that arises after the date that Executive signs this Confirming Release; (ii) any claim to unemployment benefits, worker’s compensation or vested benefits under an employee benefit plan that is subject to ERISA; (iii) any claim for breach of, or otherwise arising out of, this Confirming Release; (iv) any right to indemnification that the Executive may have pursuant to the Company’s bylaws, its corporate charter or under any written indemnification agreement with the Company (or any corresponding provision of any subsidiary or affiliate of the Company) with respect to any loss, damages or expenses (including but not limited to attorneys’ fees to the extent otherwise provided) that the Executive may in the future incur with respect to his service as an employee, officer or director of the Company or any of its subsidiaries or affiliates; (v) with respect to any rights that the Executive may have to insurance coverage for such losses, damages or expenses under any Company (or subsidiary or affiliate) directors and officers liability insurance policy; or (vi) any rights in respect of vested RSUs, PSUs, stock options or Units. Further notwithstanding this release of liability, nothing in this Confirming Release prevents Executive from filing any non-legally waivable claim (including a challenge to the validity of this Confirming Release) with the EEOC or comparable state or local agency or participating in (or cooperating with) any investigation or proceeding conducted by the EEOC or comparable state or local agency or cooperating in any such investigation or proceeding; however, Executive understands and agrees that Executive is waiving any and all rights to recover any monetary or personal relief from a Company Party as a result of such EEOC or comparable state or local agency or proceeding or subsequent legal actions. Further, nothing in this Confirming prohibits or restricts Executive from (A) filing a charge or complaint with, or cooperating in any investigation with, any Government Agency, (B) reporting violations of U.S. federal or state laws or regulations to a Government Agency, (C) making disclosures that are protected under U.S. federal and state whistleblower laws and regulations or (D) accepting any monetary reward in connection therewith. Nothing herein shall prevent Executive from discussing or disclosing information regarding unlawful acts in the workplace, such as harassment, discrimination or any other conduct that Executive has reason to believe is unlawful.

**3. Representations and Warranties Regarding Claims.** Executive represents and warrants that, as of the time at which Executive signs this Confirming Release, Executive has not filed or joined any claims, complaints, charges, or lawsuits against any of the Company Parties with any governmental agency or with any state or federal court or arbitrator for, or with respect to, a matter, claim, or incident

that occurred or arose out of one or more occurrences that took place on or prior to the time at which Executive signs this Confirming Release (excluding, for the avoidance of doubt, any whistleblower complaints protected under applicable law), and Executive is not aware of any violation of any law, rule or regulation or any other misconduct by the Company or any of its officers or employees. Executive further represents and warrants that Executive has not made any assignment, sale, delivery, transfer or conveyance of any rights Executive has asserted or may have against any of the Company Parties with respect to any Further Released Claim.

**4. Executive's Acknowledgements.** By executing and delivering this Confirming Release, Executive expressly acknowledges that:

(a) Executive has been given at least 21 days to review and consider this Confirming Release. If Executive signs this Confirming before the expiration of 21 days after Executive's receipt of this Confirming Release, Executive has knowingly and voluntarily waived any longer consideration period than the one provided to Executive and such earlier signature was not induced by the Company through fraud, misrepresentation or a threat to withdraw or alter this Confirming Release prior to the expiration of such 21-day period. No changes (whether material or immaterial) to this Confirming Release shall restart the running of this 21-day period.

(b) Executive is receiving, pursuant to this Confirming Release and the Separation Agreement, consideration in addition to anything of value to which Executive is already entitled;

(c) Executive has been advised, and hereby is advised in writing, to discuss this Confirming Release with an attorney of Executive's choice and that Executive has had an adequate opportunity to do so prior to executing this Confirming Release;

(d) Executive fully understands the final and binding effect of this Confirming Release; the only promises made to Executive to sign this Confirming Release are those stated herein and in the Separation Agreement; Executive is signing this Confirming Release knowingly, voluntarily and of Executive's own free will with the full intent of releasing the Company Parties of all claims; Executive acknowledges and agrees that Executive has carefully read the Separation Agreement and this Confirming Release; and that Executive understands and agrees to each of the terms of the Separation Agreement and this Confirming Release;

(e) The only matters relied upon by Executive in causing Executive to sign this Confirming Release are the provisions set forth in writing within the four corners of the Separation Agreement and this Confirming Release; and

(f) No Company Party has provided any tax or legal advice regarding this Confirming Release, and Executive has had an adequate opportunity to receive sufficient tax and legal advice from advisors of Executive's own choosing such that Executive enters into this Confirming Release with full understanding of the tax and legal implications thereof.

**5. Revocation Right.** Notwithstanding the initial effectiveness of this Confirming Release, Executive may revoke the delivery (and therefore the effectiveness) of this Confirming Release within the seven-day period beginning on the date Executive executes this Confirming Release (such seven-day period being referred to herein as the "Release Revocation Period"). To be effective, such revocation must be in writing signed by Executive and must be delivered personally or by courier to the Company so that it is received by Giovanni Insana, Chief Legal Officer and Secretary, 10850 Via Frontera, San Diego, California 92127 (email: Giovanni.Insana@petco.com) no later than 11:59 pm PT on the last day of the Release Revocation Period. If an effective revocation is delivered in the foregoing manner and timeframe, this Confirming Release will be no force or effect and Executive will not receive the payments or benefits set forth in Section 2 of the Agreement.

**6. Return of Property.** Executive represents and warrants that, except as otherwise expressly permitted by the Company, Executive has returned, or shall promptly upon request return, to the Company all property belonging to the Company or any other Company Party, including all computer files, electronically stored information, computers and other materials and items provided to Executive by the Company or any other Company Party in the course of Executive's employment and Executive further represents and warrants that Executive has not maintained a copy of any such materials or items in any form.

EXECUTIVE HAS CAREFULLY READ THIS CONFIRMING RELEASE, FULLY UNDERSTANDS HIS AGREEMENT, AND SIGNS IT AS HIS OWN FREE ACT.

**EXECUTIVE**

\_\_\_\_\_  
Ronald V. Coughlin, Jr.

Date: \_\_\_\_\_



Contacts: Media Relations  
 Investor Relations Benjamin Thiele-Long  
 Cathy Yao benjamin.thiele-long@petco.com  
 cathy.yao@petco.com

**FOR IMMEDIATE RELEASE: March 13, 2024**

**Petco Health + Wellness Company, Inc. Reports Fourth Quarter and Full Year 2023 Earnings**

**Q4 2023 Highlights**

- *Net revenue of \$1.7 billion increased 6.1 percent year over year including the 14<sup>th</sup> week*
- *Comparable sales declined 0.9 percent year over year and increased 4.4 percent on a two-year basis*
- *GAAP net loss of \$22.6 million, or \$(0.08) per share, compared to GAAP net income of \$32.7 million, or \$0.12 per share in the prior year*
- *Adjusted Net Income<sup>1</sup> of \$6.1 million, or \$0.02 per share, compared to \$52.8 million, or \$0.20 per share in the prior year*
- *Adjusted EBITDA<sup>1</sup> of \$105.3 million compared to \$157.9 million in the prior year*
- *Operating Cash Flow of \$47.0 million compared to \$136.5 million in the prior year*
- *Free Cash Flow<sup>1</sup> of \$(2.0) million compared to \$70.6 million in the prior year*

**Full Year 2023 Highlights**

- *Net revenue of \$6.3 billion increased 3.6 percent year over year including the 53<sup>rd</sup> week*
- *Comparable sales increased 1.8 percent year over year and increased 6.3 percent on a two-year basis*
- *GAAP net loss of \$1.3 billion, or \$(4.78) per share, which includes goodwill impairment of \$1.2B, compared to GAAP net income of \$90.8 million, or \$0.34 per share in the prior year*
- *Adjusted Net Income<sup>1</sup> of \$22.8 million, or \$0.09 per share, compared to \$162.6 million, or \$0.61 per share in the prior year*
- *Adjusted EBITDA<sup>1</sup> of \$401.1 million compared to \$530.8 million in the prior year*
- *Operating Cash Flow of \$215.7 million compared to \$346.0 million in the prior year*
- *Free Cash Flow<sup>1</sup> of \$(9.9) million compared to \$68.0 million in the prior year*

**San Diego, March 13, 2024** – Petco Health and Wellness Company, Inc. (Nasdaq: WOOF), a complete partner in pet health and wellness, today announced its fourth quarter and full year 2023 financial results.

In the fourth quarter of 2023, Petco delivered net revenue of \$1.7 billion, up 6.1 percent versus prior year, inclusive of a 14<sup>th</sup> week. On an as-reported basis, the company's consumables business was up 8.8 percent versus prior year, and services and other business was up 17.4 percent versus prior year. Growth in the company's consumables and services and other business was partially offset by the company's supplies and companion animal business, down 1.4 percent versus prior year. GAAP net loss in the fourth

quarter of 2023 was \$22.6 million or \$(0.08) per share, compared to GAAP net income of \$32.7 million or \$0.12 per share in the prior year. Adjusted Net Income<sup>1</sup> was \$6.1 million or \$0.02 per share, compared to \$52.8 million or \$0.20 per share in the prior year. Adjusted EBITDA<sup>1</sup> was \$105.3 million compared to \$157.9 million in the prior year.

For the full year 2023, Petco delivered net revenue of \$6.3 billion, up 3.6 percent versus prior year, inclusive of a 53<sup>rd</sup> week. On an as-reported basis, the company's consumables business was up 7.1 percent versus prior year, and services and other business was up 21.9 percent versus prior year. Growth in the company's consumables and services and other business was partially offset by its supplies and companion animal business, down 6.8 percent versus prior year. GAAP net loss of \$1.3 billion or \$(4.78) per share was inclusive of a goodwill impairment of \$1.2B, compared to GAAP net income of \$90.8 million or \$0.34 per share in the prior year. Adjusted Net Income<sup>1</sup> was \$22.8 million or \$0.09 per share, compared to \$162.6 million or \$0.61 per share in the prior year. Adjusted EBITDA<sup>1</sup> was \$401.1 million compared to \$530.8 million in the prior year.

- (1) Adjusted EBITDA, Adjusted Net Income, Adjusted Earnings Per Share ("Adjusted EPS"), 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.

Given the change in leadership, the company is not providing full year revenue, Adjusted EBITDA and Adjusted EPS guidance at this time. Instead, the company is providing earnings guidance for fiscal Q1. The company continues to provide interest, share count, and capital expenditure expectations for the full year.

### Fiscal Q1 2024 Outlook

For Fiscal Q1 2024, the company expects:

<u>Metric*</u>	<u>FQ1 2024 Guidance</u>
Net Revenue	~ \$ 1.5 billion
Adjusted EBITDA	~ \$ 70 million
Adjusted EPS	~ \$ (0.06)

### Fiscal 2024 Outlook

For Fiscal 2024 (a 52-week year), the company expects:

<u>Metric*</u>	<u>2024 Guidance, YoY</u>
Net interest expense	~\$145 million
Capital Expenditures	~\$140 million



\* Assumptions in the guidance include that economic conditions, currency rates and the tax and regulatory landscape remain generally consistent. For fiscal 2024, our guidance anticipates a 26 percent tax rate, and 272 million weighted average diluted share count. Adjusted EBITDA and Adjusted EPS are non-GAAP financial measures and have 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 and Adjusted EPS are made in a manner consistent with the relevant definitions and assumptions noted herein and in our filings with the Securities and Exchange Commission.

#### **Earnings Conference Call Webcast Information:**

Management will host an earnings conference call on March 13, 2024 at 8:00 AM Eastern Time to discuss the company's financial results. The conference call will be accessible through a live webcast. Interested investors and other individuals can access the webcast, earnings release, earnings presentation, infographic, and earnings supplement via the company's investor relations page at [ir.petco.com](http://ir.petco.com). A replay of the webcast will be archived on the company's investor relations page through March 27, 2024 until approximately 5:00 PM Eastern Time.

#### **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](http://petco.com) and on the Petco app. In tandem with Petco Love, a life-changing 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 nearly 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 Q1 and fiscal year 2024 guidance, operational reset of our business, our competitive positioning, profitability, cost action plans and associated cost-savings. 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 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 and prevailing interest rates; (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 conflict in Ukraine), 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.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share amounts)  
(Unaudited and subject to reclassification)

	14 Weeks Ended February 3, 2024	13 Weeks Ended January 28, 2023	Percent Change	53 Weeks Ended February 3, 2024	52 Weeks Ended January 28, 2023	Percent Change
<b>Net sales:</b>						
Products	\$1,420,713	\$1,361,856	4%	\$ 5,273,710	\$5,230,515	1%
Services and other	253,763	216,103	17%	981,574	805,452	0
<b>Total net sales</b>	<b>1,674,476</b>	<b>1,577,959</b>	<b>6%</b>	<b>6,255,284</b>	<b>6,035,967</b>	<b>4%</b>
<b>Cost of sales:</b>						
Products	903,156	805,938	12%	3,269,628	3,035,249	8%
Services and other	164,972	144,742	14%	631,821	573,611	10%
Total cost of sales	1,068,128	950,680	12%	3,901,449	3,608,860	8%
<b>Gross profit</b>	<b>606,348</b>	<b>627,279</b>	<b>(3%)</b>	<b>2,353,835</b>	<b>2,427,107</b>	<b>(3%)</b>
Selling, general and administrative expenses	606,182	549,719	10%	2,311,625	2,201,548	5%
Goodwill and indefinite-lived intangible impairment	—	—	N/M	1,222,524	—	N/M
<b>Operating income (loss)</b>	<b>166</b>	<b>77,560</b>	<b>(100%)</b>	<b>(1,180,314)</b>	<b>225,559</b>	<b>N/M</b>
Interest income	(326)	(745)	(56%)	(3,405)	(1,032)	230%
Interest expense	39,658	32,882	21%	150,909	101,643	48%
Loss on extinguishment and modification of debt	—	—	N/M	920	—	N/M
Other non-operating loss (income)	—	3,298	(100%)	(4,727)	12,667	N/M
<b>(Loss) income before income taxes and income from equity method investees</b>	<b>(39,166)</b>	<b>42,125</b>	<b>N/M</b>	<b>(1,324,011)</b>	<b>112,281</b>	<b>N/M</b>
Income tax (benefit) expense	(10,435)	14,548	N/M	(27,613)	35,347	N/M
Income from equity method investees	(6,156)	(5,155)	19%	(16,188)	(12,976)	25%
<b>Net (loss) income</b>	<b>(22,575)</b>	<b>32,732</b>	<b>N/M</b>	<b>(1,280,210)</b>	<b>89,910</b>	<b>N/M</b>
Net loss attributable to noncontrolling interest	—	—	N/M	—	(891)	(100%)
<b>Net (loss) income attributable to Class A and B-1 common stockholders</b>	<b>\$ (22,575)</b>	<b>\$ 32,732</b>	<b>N/M</b>	<b>\$(1,280,210)</b>	<b>\$ 90,801</b>	<b>N/M</b>
<b>Net (loss) income per Class A and B-1 common share:</b>						
Basic	\$ (0.08)	\$ 0.12	N/M	\$ (4.78)	\$ 0.34	N/M
Diluted	\$ (0.08)	\$ 0.12	N/M	\$ (4.78)	\$ 0.34	N/M
<b>Weighted average shares used in computing net (loss) income per Class A and B-1 common share:</b>						
Basic	268,615	265,918	1%	267,549	265,522	1%
Diluted	268,615	266,297	1%	267,549	265,951	1%

**PETCO HEALTH AND WELLNESS COMPANY, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except per share amounts)  
(Unaudited and subject to reclassification)

	February 3, 2024	January 28, 2023
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 125,428	\$ 201,901
Receivables, less allowance for credit losses <sup>1</sup>	44,369	49,580
Merchandise inventories, net	684,502	652,430
Prepaid expenses	58,615	51,274
Other current assets	38,830	60,809
Total current assets	<u>951,744</u>	<u>1,015,994</u>
Fixed assets, net	816,367	803,327
Operating lease right-of-use assets	1,384,050	1,397,761
Goodwill	980,297	2,193,941
Trade name	1,025,000	1,025,000
Other long-term assets	205,694	176,806
Total assets	<u>\$ 5,363,152</u>	<u>\$ 6,612,829</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable and book overdrafts	\$ 485,131	\$ 381,213
Accrued salaries and employee benefits	101,265	89,929
Accrued expenses and other liabilities	200,278	217,556
Current portion of operating lease liabilities	310,507	309,766
Current portion of long-term debt and other lease liabilities	15,962	22,794
Total current liabilities	<u>1,113,143</u>	<u>1,021,258</u>
Senior secured credit facilities, net, excluding current portion	1,576,223	1,628,331
Operating lease liabilities, excluding current portion	1,116,615	1,148,155
Deferred taxes, net	251,629	303,121
Other long-term liabilities	121,113	130,487
Total liabilities	<u>4,178,723</u>	<u>4,231,352</u>
Commitments and contingencies		
Stockholders' equity:		
Class A common stock <sup>2</sup>	231	228
Class B-1 common stock <sup>3</sup>	38	38
Class B-2 common stock <sup>4</sup>	—	—
Preferred stock <sup>5</sup>	—	—
Additional paid-in-capital	2,229,582	2,152,342
(Accumulated deficit) retained earnings	(1,047,243)	232,967
Accumulated other comprehensive income (loss)	1,821	(4,098)
Total stockholders' equity	<u>1,184,429</u>	<u>2,381,477</u>
Total liabilities and stockholders' equity	<u>\$ 5,363,152</u>	<u>\$ 6,612,829</u>

(1) Allowances for credit losses are \$1,806 and \$952, respectively

(2) Class A common stock, \$0.001 par value: Authorized - 1.0 billion shares; Issued and outstanding - 231.2 million and 228.3 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)

	<u>53 Weeks Ended February 3, 2024</u>	<u>52 Weeks Ended January 28, 2023</u>
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$(1,280,210)	\$ 89,910
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	200,782	193,828
Amortization of debt discounts and issuance costs	4,972	4,940
Provision for deferred taxes	(53,549)	(893)
Equity-based compensation expense	81,859	60,784
Impairments, write-offs and losses on sale of fixed and other assets	2,833	1,992
Loss on extinguishment and modification of debt	920	—
Income from equity method investees	(16,188)	(12,976)
Amounts reclassified out of accumulated other comprehensive income	(488)	168
Goodwill impairment	1,222,524	—
Non-cash operating lease costs	429,056	422,792
Other non-operating (income) loss	(4,727)	12,667
Changes in assets and liabilities:		
Receivables	5,211	6,038
Merchandise inventories	(32,072)	22,681
Prepaid expenses and other assets	(8,009)	(5,933)
Accounts payable and book overdrafts	103,919	(22,763)
Accrued salaries and employee benefits	11,347	(51,427)
Accrued expenses and other liabilities	(8,495)	13,616
Operating lease liabilities	(446,981)	(386,259)
Other long-term liabilities	3,015	(3,162)
Net cash provided by operating activities	<u>215,719</u>	<u>346,003</u>
<b>Cash flows from investing activities:</b>		
Cash paid for fixed assets	(225,598)	(278,020)
Cash paid for acquisitions, net of cash acquired	(6,725)	(9,640)
Cash paid for interest in veterinary joint venture	—	(35,000)
Proceeds from investment	24,878	—
Proceeds from sale of assets	—	2,336
Net cash used in investing activities	<u>(207,445)</u>	<u>(320,324)</u>
<b>Cash flows from financing activities:</b>		
Borrowings under long-term debt agreements	273,000	123,000
Repayments of long-term debt	(348,000)	(140,000)
Payments for finance lease liabilities	(5,925)	(5,083)
Proceeds from employee stock purchase plan and stock option exercises	4,223	3,796
Tax withholdings on stock-based awards	(8,650)	(15,555)
Net cash used in financing activities	<u>(85,352)</u>	<u>(33,842)</u>
Net decrease in cash, cash equivalents and restricted cash	(77,078)	(8,163)
Cash, cash equivalents and restricted cash at beginning of period	213,727	221,890
Cash, cash equivalents and restricted cash at end of period	<u>\$ 136,649</u>	<u>\$ 213,727</u>

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## **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, Adjusted Net Income, and Adjusted EPS, as applicable, for the fourteen and fifty-three weeks ended February 3, 2024 compared to the thirteen and fifty-two weeks ended January 28, 2023, respectively.

## Adjusted EBITDA and Trailing Twelve Month Adjusted EBITDA

Adjusted EBITDA, including Trailing Twelve Month 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 January 28, 2023 filed with the SEC on March 28, 2023 for additional information on Adjusted EBITDA.

(dollars in thousands)	14 Weeks Ended February 3, 2024	13 Weeks Ended January 28, 2023	53 Weeks Ended February 3, 2024	52 Weeks Ended January 28, 2023
<b>Reconciliation of Net (Loss) Income Attributable to Class A and B-1 Common Stockholders to Adjusted EBITDA</b>				
<b>Net (loss) income attributable to Class A and B-1 common stockholders</b>	<b>\$ (22,575)</b>	<b>\$ 32,732</b>	<b>\$ (1,280,210)</b>	<b>\$ 90,801</b>
Add (deduct):				
Interest expense, net	39,332	32,137	147,504	100,611
Income tax (benefit) expense	(10,435)	14,548	(27,613)	35,347
Depreciation and amortization	52,189	50,229	200,782	193,828
Income from equity method investees	(6,156)	(5,155)	(16,188)	(12,976)
Loss on debt extinguishment and modification	—	—	920	—
Goodwill impairment	—	—	1,222,524	—
Losses (gains) on sale of assets, impairments and write-offs	631	(307)	2,833	1,992
Equity-based compensation expense	17,428	19,892	81,859	60,784
Other non-operating loss (income)	—	3,298	(4,727)	12,667
Mexico joint venture EBITDA (1)	11,759	9,265	38,226	29,584
Acquisition-related integration costs (2)	—	627	—	15,314
Other costs (3)	23,167	623	35,193	2,817
<b>Adjusted EBITDA</b>	<b>\$ 105,340</b>	<b>\$ 157,889</b>	<b>\$ 401,103</b>	<b>\$ 530,769</b>
Net sales	\$1,674,476	\$1,577,959	\$ 6,255,284	\$6,035,967
Net margin (4)	(1.3%)	2.1%	(20.5%)	1.5%
Adjusted EBITDA Margin	6.3%	10.0%	6.4%	8.8%

## Adjusted Net Income and Adjusted EPS

Adjusted Net Income and Adjusted diluted Earnings Per Share attributable to Petco common stockholders (Adjusted EPS) are considered non-GAAP financial measures under the SEC's rules because they exclude certain amounts included in the net income attributable to Petco common stockholders and diluted earnings per share attributable to Petco common stockholders calculated in accordance with GAAP. Management believes that Adjusted Net Income and Adjusted EPS are meaningful measures to share with investors because they facilitate comparison of the current period performance with that of the comparable prior period. In addition, Adjusted Net Income and Adjusted EPS afford investors a view of what management considers to be Petco's core earnings performance as well as the ability to make a more informed assessment of such earnings performance with that of the prior period.

(in thousands, except per share amounts) Reconciliation of Diluted EPS to Adjusted EPS	14 Weeks Ended		13 Weeks Ended	
	February 3, 2024		January 28, 2023	
	Amount	Per share	Amount	Per share
<b>Net (loss) income attributable to common stockholders / diluted EPS</b>	<b>\$ (22,575)</b>	<b>\$ (0.08)</b>	<b>\$32,732</b>	<b>\$ 0.12</b>
Add (deduct):				
Income tax (benefit) expense	(10,435)	(0.04)	14,548	0.05
Loss on debt extinguishment and modification	—	—	—	—
Goodwill impairment	—	—	—	—
Losses (gains) on sale of assets, impairments and write-offs	631	0.00	(307)	(0.00)
Equity-based compensation expense	17,428	0.06	19,892	0.08
Other non-operating loss	—	—	3,298	0.02
Acquisition-related integration costs (2)	—	—	627	0.00
Other costs (3)	23,167	0.09	623	0.00
Adjusted pre-tax income / diluted earnings per share	\$ 8,216	\$ 0.03	\$71,413	\$ 0.27
Income tax expense at 26% normalized tax rate	2,136	0.01	18,567	0.07
<b>Adjusted Net Income / Adjusted EPS</b>	<b>\$ 6,080</b>	<b>\$ 0.02</b>	<b>\$52,846</b>	<b>\$ 0.20</b>

(in thousands, except per share amounts) Reconciliation of Diluted EPS to Adjusted EPS	53 Weeks Ended		52 Weeks Ended	
	February 3, 2024		January 28, 2023	
	Amount	Per share	Amount	Per share
<b>Net (loss) income attributable to common stockholders / diluted EPS</b>	<b>\$ (1,280,210)</b>	<b>\$ (4.78)</b>	<b>\$ 90,801</b>	<b>\$ 0.34</b>
Add (deduct):				
Income tax (benefit) expense	(27,613)	(0.10)	35,347	0.13
Loss on debt extinguishment and modification	920	0.00	—	—
Goodwill impairment	1,222,524	4.57	—	—
Losses on sale of assets, impairments and write-offs	2,833	0.01	1,992	0.01
Equity-based compensation expense	81,859	0.31	60,784	0.22
Other non-operating (income) loss	(4,727)	(0.02)	12,667	0.05
Acquisition-related integration costs (2)	—	—	15,314	0.06
Other costs (3)	35,193	0.13	2,817	0.02
Adjusted pre-tax income / diluted earnings per share	\$ 30,779	\$ 0.12	\$219,722	\$ 0.83
Income tax expense at 26% normalized tax rate	8,003	0.03	57,128	0.22
<b>Adjusted Net Income / Adjusted EPS</b>	<b>\$ 22,776</b>	<b>\$ 0.09</b>	<b>\$162,594</b>	<b>\$ 0.61</b>



## 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 fourteen and fifty-three weeks ended February 3, 2024 compared to the thirteen and fifty-two weeks ended January 28, 2023, respectively.

(in thousands)	<u>14 Weeks Ended February 3, 2024</u>	<u>13 Weeks Ended January 28, 2023</u>	<u>53 Weeks Ended February 3, 2024</u>	<u>52 Weeks Ended January 28, 2023</u>
Net cash provided by operating activities	\$ 47,023	\$ 136,540	\$ 215,719	\$ 346,003
Cash paid for fixed assets	(49,066)	(65,946)	(225,598)	(278,020)
<b>Free Cash Flow</b>	<b>\$ (2,043)</b>	<b>\$ 70,594</b>	<b>\$ (9,879)</b>	<b>\$ 67,983</b>

## 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)	<u>14 Weeks Ended February 3, 2024</u>	<u>13 Weeks Ended January 28, 2023</u>	<u>53 Weeks Ended February 3, 2024</u>	<u>52 Weeks Ended January 28, 2023</u>
Net income	\$ 12,311	\$ 10,309	\$ 32,375	\$ 24,757
Depreciation	7,070	5,954	26,141	19,820
Income tax expense	2,541	1,065	11,449	9,409
Foreign currency (gain) loss	557	(253)	1,520	(268)
Interest expense, net	1,039	1,455	4,966	5,449
EBITDA	\$ 23,518	\$ 18,530	\$ 76,451	\$ 59,167
<b>50% of EBITDA</b>	<b>\$ 11,759</b>	<b>\$ 9,265</b>	<b>\$ 38,226</b>	<b>\$ 29,584</b>

- (2) Acquisition-related integration costs include direct costs resulting from acquiring and integrating businesses. These include third-party professional and legal fees 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 income attributable to Class A and B-1 common stockholders divided by net sales and Adjusted EBITDA margin as Adjusted EBITDA divided by net sales.



### **Petco Announces CEO Transition**

*R. Michael Mohan, Previously Lead Independent Director; Appointed Interim CEO*

*Ron Coughlin stepped down as CEO, Chairman and member of the Board of Directors*

*Search Underway to Identify Permanent CEO*

San Diego, March 13, 2024 / PR Newswire / — Petco Health and Wellness Company, Inc. (Nasdaq: WOOF) today announced the Company's Board of Directors has appointed R. Michael (Mike) Mohan to serve as Interim Chief Executive Officer, effective today. Ron Coughlin has stepped down as Petco's Chief Executive Officer, Chairman, and member of the Board of Directors. He will serve as an advisor to the Board to support the leadership transition. The Board is conducting a comprehensive search for a permanent CEO with the support of a leading global executive search firm.

Mohan is a highly accomplished and seasoned retail leader who has served on the Petco Board since March 2021 and as Lead Independent Director since July 2021. As the former President and Chief Operating Officer of Best Buy Co., Inc., he was responsible for all aspects of global operations, including sales, merchandising, marketing, supply chain management, services, and new business initiatives across more than 1,000 stores and online channels worldwide.

"Mike's highly successful track record across multiple segments of the retail industry, deep knowledge of Petco and strong operational skills make him the ideal executive to ensure a seamless transition as Petco moves forward," said Cameron Breitner, member of the Petco Board of Directors.

Mohan said, "Petco is a powerful brand with an unparalleled offering that meets every need for pets, providing necessary products and services for these family members each day to support their health and wellness. I have a deep belief in our purpose and I look forward to working with the leadership team and our partners to continue strengthening our business, driving profitability through operational discipline and execution that will improve growth, drive margin and generate cash to create shareholder value. My focus will be on our people, our operations and our customer experience, working together to advance our strategy."

Breitner concluded, "On behalf of the Board, we are deeply grateful for Ron's many contributions to Petco over the past five years. Ron was instrumental in establishing and growing many aspects of our 360-degree pet ecosystem, significantly increasing Petco's revenues, and leading the company through its IPO while always putting our people first."

"Working with our amazing partners through a period of tremendous change and growth has been the opportunity of a lifetime," said Ron Coughlin. "I am proud of the differentiated business model we've built that delivers the very best for pets, which positions the Company well for the future."

In conjunction with his appointment, Mohan stepped down from the Board's Audit Committee and has been replaced by current Board member Gary Biggs, and also stepped down from the Lead Independent Director role. The Board size has also been reduced from 11 to 10 with Coughlin's departure from the Board of Directors.

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**About Mike Mohan**

R. Michael (Mike) Mohan has been a member of Petco's Board of Directors since March 2021 and served as Lead Independent Director since July 2021. He also served on our Audit Committee until his appointment as Petco's Interim CEO. Previously, Mr. Mohan served as President and Chief Operating Officer of Best Buy Co., Inc. from June 2019 to July 2021, where he was responsible for the operations of the company's U.S. and International businesses. From 2004 to June 2019, he served in various leadership roles at Best Buy, overseeing services, customer experience, category management, merchandising, marketing and supply chain functions. Prior to joining Best Buy, Mr. Mohan was Vice President and General Merchandising Manager for Good Guys. Mr. Mohan also previously worked at Future Shop in Canada from 1988 to 1997, prior to Best Buy's acquisition of the company, where he served in various merchandising roles. Mr. Mohan also serves as Chairman of the board of directors of Bloomin' Brands, Inc., and serves on the board of directors of VIZIO Holding Corp. and Jackson Family Wines.

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**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](http://petco.com) and on the Petco app. In tandem with Petco Love, a life-changing 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 nearly 7 million animals.

**Forward-Looking Statements:**

This press release contains forward-looking statements within the meaning of 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 other than statements of historical fact. 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. Forward-looking statements are subject to many risks and uncertainties, including, but not limited to, the following: our ability to successfully manage leadership transition, execute on our strategy and drive profitability, and the risk factors we identify in our Securities and Exchange Commission filings, and actual results may differ materially from the results discussed in such forward-looking statements. Petco undertakes no duty to update publicly any forward-looking statement that it may make, 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.