



petco.

**INVESTOR DAY 2022**

# Petco 2022 Investor Day Agenda

WELCOME	KRISTY MOSER
STRATEGIC VISION	RON COUGHLIN
PET HEALTH & WELLNESS	MIKE NUZZO & DR. WHITNEY MILLER
DIFFERENTIATED MERCHANDISE	AMY COLLEGE
INNOVATION SHOWCASE: REDDY SHOP & VET INTERACTIVE	
OMNICHANNEL UNLEASHED	DARREN MACDONALD & JUSTIN TICHY
Q&A: CATEGORIES & CHANNELS	
INNOVATION SHOWCASE: APP DEMO & RURAL	
MEMBERSHIP	RON COUGHLIN
CUSTOMER ANALYTICS & MARKETING	KATIE NAUMAN
LONG-TERM FINANCIAL FRAMEWORK	BRIAN LAROSE
Q&A: CUSTOMERS & FINANCIAL FRAMEWORK	
WRAP-UP	RON COUGHLIN
INNOVATION SHOWCASE: JFFD KITCHEN, VITAL CARE, PETCO LOVE	
LUNCH	



## Safe Harbor and Non-GAAP Measures

This Presentation 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 other than statements of historical fact, including statements regarding our fiscal year 2022 guidance, our growth plans, and execution on our transformation initiatives. 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 Presentation 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 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 Presentation, 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; (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 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 the Ukraine), health crises, and pandemics, including the potential effects that the ongoing COVID-19 pandemic and/or corresponding macroeconomic uncertainty could have on our financial position, results of operations and cash flows; (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; and (xx) the other risks, uncertainties and other factors identified under “Risk Factors” and elsewhere in our 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.

Included in this Presentation are certain financial measures that are not calculated in accordance with U.S. generally accepted accounting principles (“GAAP”) that are designed to supplement, and not substitute, Petco’s financial information presented in accordance with GAAP, including, but not limited to, Adjusted EBITDA, Trailing Twelve Month Adjusted EBITDA, Adjusted EPS, and Free Cash Flow. The non-GAAP measures as defined by Petco may not be comparable to similar non-GAAP measures presented by other companies. The presentation of such measures, which may include adjustments to exclude non-recurring items, should not be construed as an inference that Petco’s future results, cash flows, or leverage will be unaffected by other nonrecurring items. Refer to information about the non-GAAP measures contained in this Presentation. This Presentation also includes forward-looking estimates of Adjusted EBITDA and Adjusted EPS as part of our financial guidance. We do not reconcile these non-GAAP measures for future periods to their most comparable GAAP measures due to the uncertainty and potential variability of reconciling items. Because such items cannot be reasonably predicted with the level of precision required, we are unable to provide a reconciliation of these non-GAAP measures without unreasonable effort. Forward-looking estimates of Adjusted EBITDA and Adjusted EPS are estimated in a manner consistent with the relevant definitions and assumptions noted herein.

# STRATEGIC VISION

**RON COUGHLIN**



## One Year Since IPO: Petco is Thriving



**Accelerated top-line growth**, comp sales up 19% in FY'21, 7 consecutive quarters of double-digit growth.

**Delivered enhanced profitability...** Adj. EBITDA up 22% in FY'21 highlighting operating leverage.

**Added millions of customers** to over 24 million, driving significant market share capture.

## Petco is Positioned for Sustained, Profitable Growth

1 \$119B Category Projected To Grow 7% With Strong Resilience

2 Only Fully-Integrated Pet Ecosystem: Products, Services, Vets, Membership

3 Portfolio Shift to Services With One of the Fastest Veterinary Hospital Buildout

4 Owned and Exclusive Merchandise That Can't Be Found Other Places

5 Rapidly Scaling Omnichannel Platform Delivering Seamless Experience

6 Competitive Advantages Across Fulfillment, Marketing, Data and People

Increased  
Customers  
& Share of  
Wallet

Above Market  
Revenue  
Growth

Expansion of  
Adj. EBITDA  
Margin

# World-Class Leadership Team Driving Results



**RON COUGHLIN**  
Chief Executive Officer



**AMY COLLEGE**  
Chief Merchandising Officer



**BRIAN LAROSE**  
Chief Financial Officer



**DARREN MACDONALD**  
Chief Digital & Innovation Officer



**DR. WHITNEY MILLER**  
Chief Veterinarian



**KATIE NAUMAN**  
Chief Marketing Officer



**MIKE NUZZO**  
Chief Operating Officer



**JUSTIN TICHY**  
Chief Pet Care Center Officer



**SOUMIK CHATTERJEE**  
Chief Strategy Officer



**ILENE ESKENAZI**  
Chief Legal & Human Resources Officer



**SUSANNE KOGUT**  
Petco Love President



**JOHN ZAVADA**  
Chief Administrative Officer

Deep Omnichannel, Retail and Health & Wellness Expertise Driving Petco's Growth Strategy



# The New York Times

YEAR OF THE WEDDING

## No 'I Dos' Here, but Maybe Some 'I Woofs'

When marriages between humans slowed because of the pandemic, ceremonies uniting two animals only became more popular.

BY SEAN MALIN

On Dec. 4, 2021, Twixie and Cowboy, both 2-year-old Brussels Griffons, were married at the Dallas home of the bride (Twixie), in the backyard. She wore an appliquéd lace bodice with a ruffle of layered tulle at the waist. The groom donned a handmade silk-cotton tuxedo and top hat.

In front of a makeshift chapel set up for the occasion, a ceremony was led by Sam Palmeter, whose Brussels Griffon, Grinch, attended and is a friend of the couple. Fig, another Brussels Griffon, served as a flower girl.

Later, four-legged guests enjoyed a meal of puppy chow from Vestals Catering in Dallas (which also caters events for humans), as well as a



humans), as well as a puppuccino bar and activities including a ball pit.

The nuptials cost about \$25,000. Twixie's owner, Tara Helwig, 37, a fitness coach in Dallas, and Cowboy's owner, Makayla Wilson, 22, an epidemiology data analyst in Phoenix, split the bill.

The two and their canines met at a Brussels Griffon hangout in February 2021. The dogs soon became "boyfriend and girlfriend," said Ms. Helwig, who started planning the wedding with Ms. Wilson after the owners and their pets visited each others' homes.

Of the 40 Brussels Griffons invited, 37 attended. "It just turned out to be way grander than anticipated," Ms. Helwig said.

Ms. Wilson, who handled the guest list, said that she and Ms. Helwig intended to throw "the most epic dog wedding."

"We were not just going to do a photo shoot," she added. "We wanted to do more than that."

Celebrating a union of two animals, or even an animal and a human is not



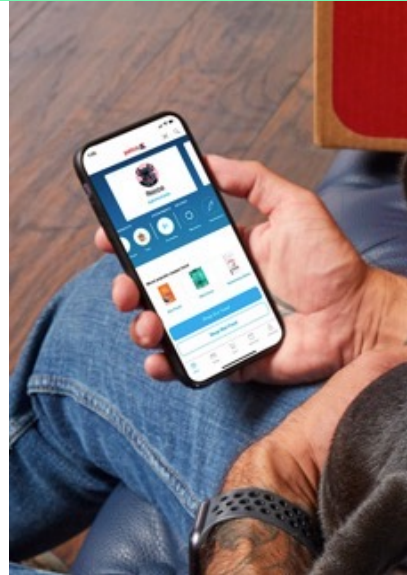
## Powerful Trends Shaping the Future of Pet Health & Wellness



**Humanization & Premiumization**



**Millennials & GenZers Spend More**



**Connected Shopping Experience**



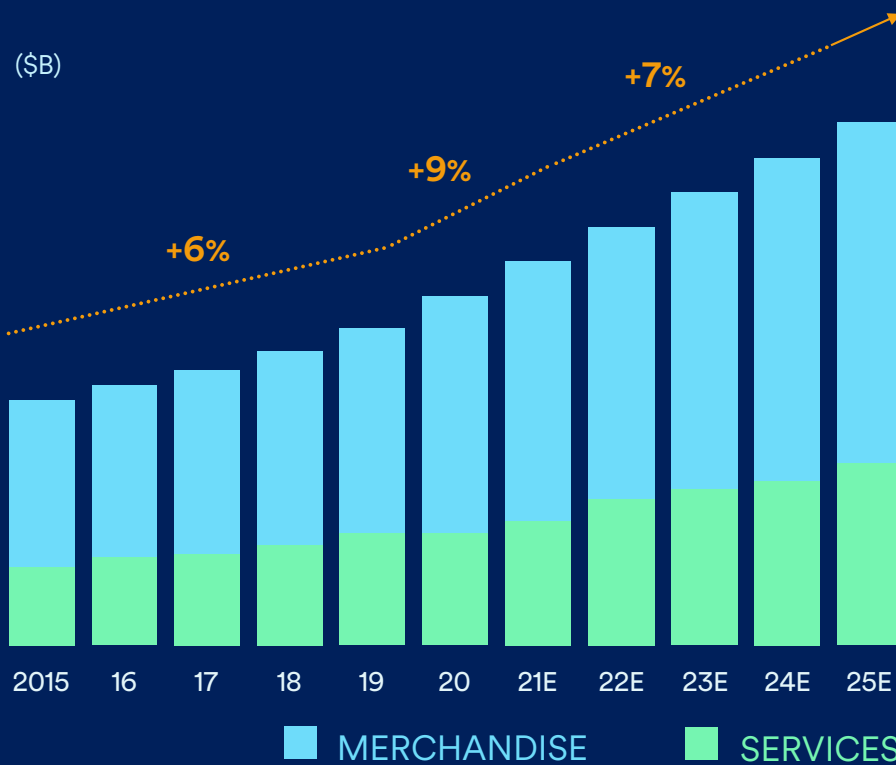
**Personalization & Simplification**



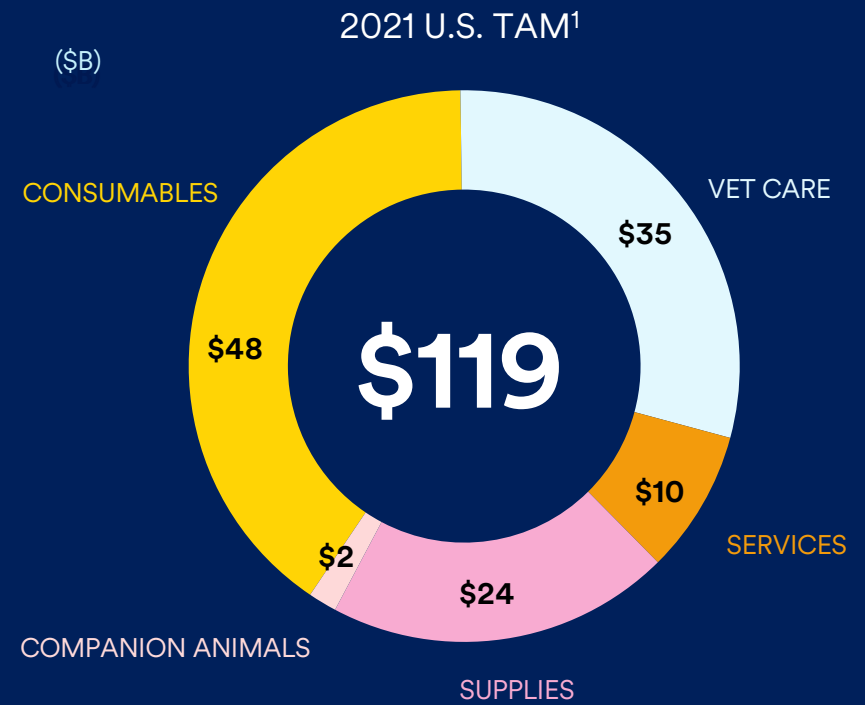
**Sustainability & Social Responsibility**

# Attractive Category Defined By High Growth & Resiliency

## Pet Category Outpacing Historical Trend<sup>1</sup>



## Positioned To Capture Market Value



<sup>1</sup> PROJECTED TAM FOR U.S. PET MARKET; SOURCE: PACKAGED FACTS MARCH-2021 FOR TAM EXCEPT COMPANION ANIMALS, INTERNAL ESTIMATES FOR COMPANION ANIMAL TAM

# Focused on High Value, Health-conscious Pet Parents

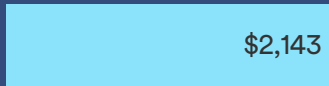
WHAT THEY SPEND PER YEAR

WHO THEY ARE

WHERE THEY SHOP

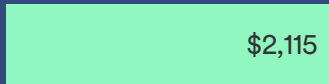
SPEND CONCENTRATION BY GROUP

HEALTH-CONSCIOUS PET PARENTS



- Focus on pet health
- Willingness to pay
- Brand loyalty

QUALITY SEEKERS



- Interest in premium
- Always seeking new brands

VALUE SHOPPERS



- Financially constrained
- No frills solutions to pet care

BUDGET HUNTERS



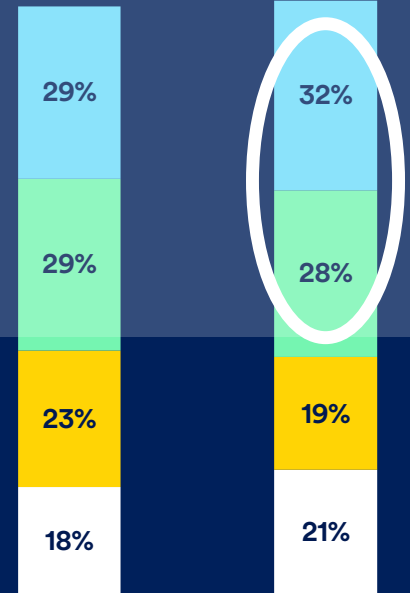
- Price driven
- Seeks simplicity

petco  
THE HEALTH + WELLNESS CO.

INDEPENDENT PET SPECIALTY

PET SPECIALTY

MASS GROCERY



TOTAL MARKET

petco  
THE HEALTH + WELLNESS CO.







# Our Strategy to Win

## LEVERAGE COMPETITIVE ADVANTAGES

Industry's only integrated end-to-end health and wellness ecosystem  
Omnichannel/Retail 3.0 leverage  
Industry's most passionate partners

Scale services offering, led by rapid national vet build-out



Deepen competitive moats through differentiated merchandise



Use connected data and loyalty to drive more share of wallet from more customers



DELIVER SHAREHOLDER RETURNS THROUGH SUSTAINABLE, PROFITABLE GROWTH OVER THE LONG-TERM

# Petco Ecosystem Provides One-stop Shop Experience

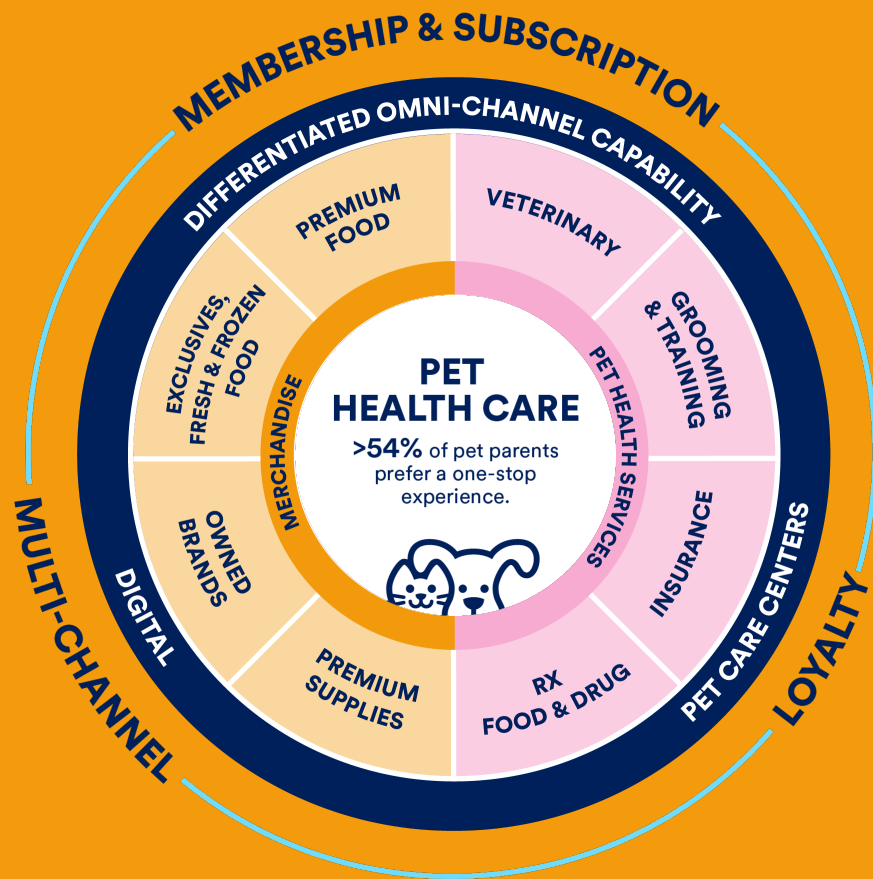


Pet industry's only fully integrated health & wellness ecosystem

End-to-end integrated omnichannel experience

Data driven insights create singular view of pet parent

## Integrated Ecosystem Driving Share of Wallet



1 point of  
share of  
wallet  
=  
\$330M

# Petco Brings Retail 3.0 To Life

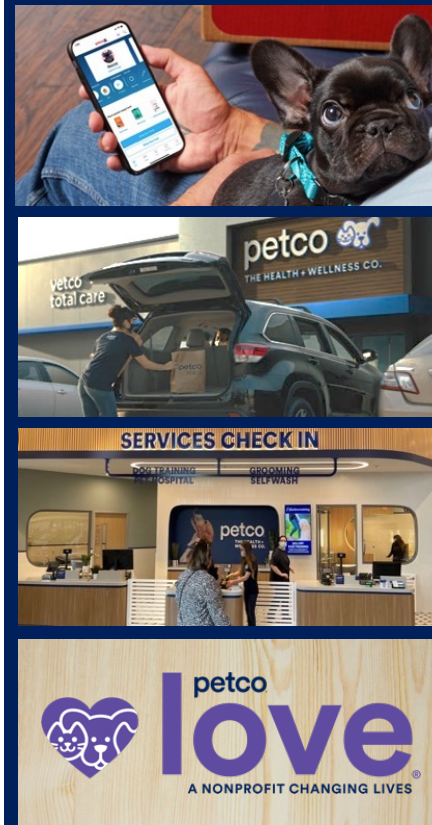
Retail 1.0



Retail 2.0



Retail 3.0



What is Retail 3.0?

Best in class brick-and-mortar and digital omnichannel experiences

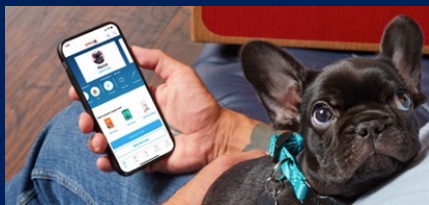
Stores as micro-distribution centers

Integrated and scaled sticky services

Impacting local communities

# Petco on the Leading Edge of Retail with Retail 3.0

Retail 3.0



## 3.0 Petco Value Creation

Structural fulfillment advantages

Robust end-to-end pet data

Personalized experiences

Improved pet lives



Loyalty, share of wallet and LTV growth

Sustainable, profitable growth



## Rapid Services Expansion to Capture Increasing Demand

Scaling one of  
the world's  
fastest vet  
buildouts



Industry-leading  
Grooming &  
Training



Targeting  
Incremental  
\$ TAM



# Deepening Competitive Moats with Differentiated & Premium-focused Merchandise Strategy



Leading Owned Brands



Winning in Fresh & Premium



Exclusive & Differentiated Portfolio





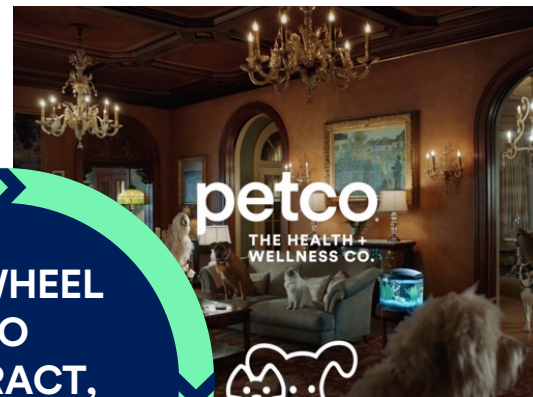


# Attract & Retain the Highest Value Pet Parents

Digital-led loyalty and marketing platform focused on highest value pet parents

## Data-driven Insights

D.O.G. house  
24M Customers



Precision  
Marketing

FLYWHEEL  
TO  
ATTRACT,  
RETAIN &  
MONETIZE

## Loyalty

& Membership  
Programs



Personalized  
Experiences

# Driving Long-term Sustainable, Profitable Growth

Strategically accelerating the top-line...

...Driving high quality margin growth

Expansion of **VET & SERVICES**  
Delivering **PREMIUM ASSORTMENT**  
Accelerating **DIGITAL TRANSFORMATION**  
Scaling **RECURRING REVENUE PROGRAMS**  
Drive Innovation in **PCC FOOTPRINT, INSURANCE & RX**

Maturing **VET HOSPITALS**  
Expanding **OWNED & EXCLUSIVE BRANDS**  
Leveraging **FULLFILLMENT ADVANTAGES**  
Increasing **AOV**  
Aggressive **COST LEVERAGE**

**ABOVE MARKET  
REVENUE GROWTH**

**ADJ. EBITDA  
MARGIN EXPANSION**



# Emerging from COVID Stronger

**Millions**  
New Active  
Customers



**1,400+**  
Same-Day  
Delivery &  
Curbside Pickup  
Locations



**2X**  
Digital Growth  
**700+**  
Ship from Store  
Locations



**1,000**  
Mobile Vet Clinics  
**200**  
Full Service  
Vet Hospitals

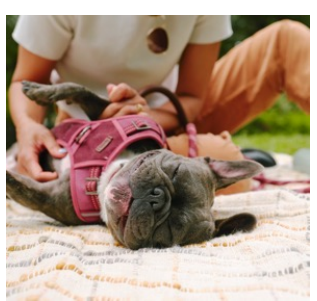


Nearly  
**\$6B**  
Revenue  
**28,000+**  
Partners



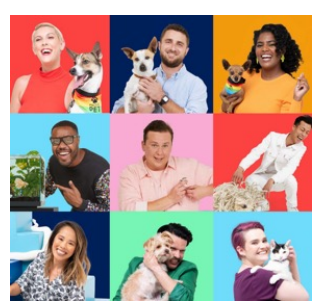
**#PetcoStronger**

# Purpose Driven Performance



## Improving Lives of Pets & Pet Parents

- 400K pets saved
- Reunited 4K pets through Love Lost
- Coveted American Humane Certified™



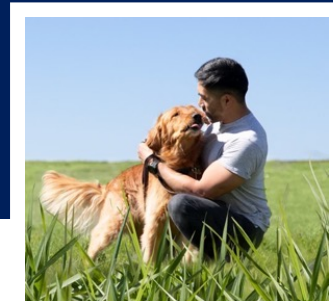
## Improving lives of our Partners

- Increased avg. wage rate +DD % for Partners with us since start of the pandemic
- Invested \$12M in benefit premiums



## Winning Culture & DE&I

- 50% of promotions / new hires from underrepresented populations



## Sustainability

- 7.9M lbs reduction in cardboard packaging
- 6.6M reduction in polybags
- Announced 50% goal of sustainable products by 2025

**We are on a mission to improve lives for pets, their parents and Petco partners.**







# **PET HEALTH AND SERVICES**

**MIKE NUZZO &  
DR. WHITNEY MILLER**



**Marlowe**



## Building the Largest, Most Comprehensive Services Offering in the Industry

Best Engine for Recruiting, Staffing,  
Compensating, On-Boarding and Retention

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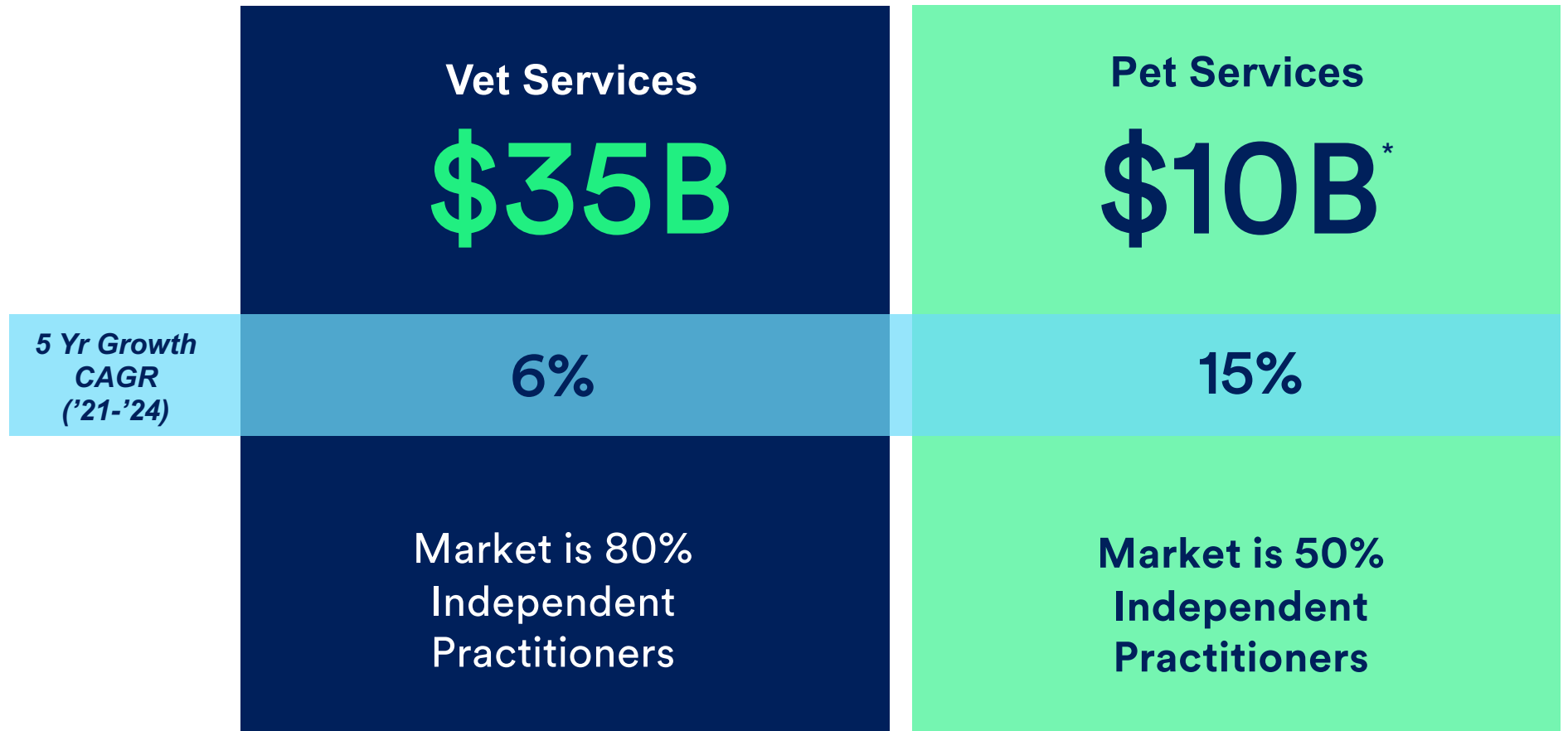
Drive synergies with our Pet Care Centers  
Drives Ecosystem and Cross Selling

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Best in Class Digital Capabilities & Membership  
Driving High Customer Satisfaction



## \$45B Veterinary and Services Market is High Growth and Fragmented



\*Size for non-medical pet services which includes grooming, dog training and boarding

## Scale with Substantial Growth

### GROOMING

1,300

Salons

5,600

Groomers

Organic growth  
fueled by Vital Care



### POSITIVE TRAINING

> 1,300 Trainers

with online "virtual training" platform

Training as onramp  
to ecosystem



### VETCO TOTAL CARE

>1,000

Mobile Clinics

200

Full-Service Hospitals

Scale  
full-service hospitals



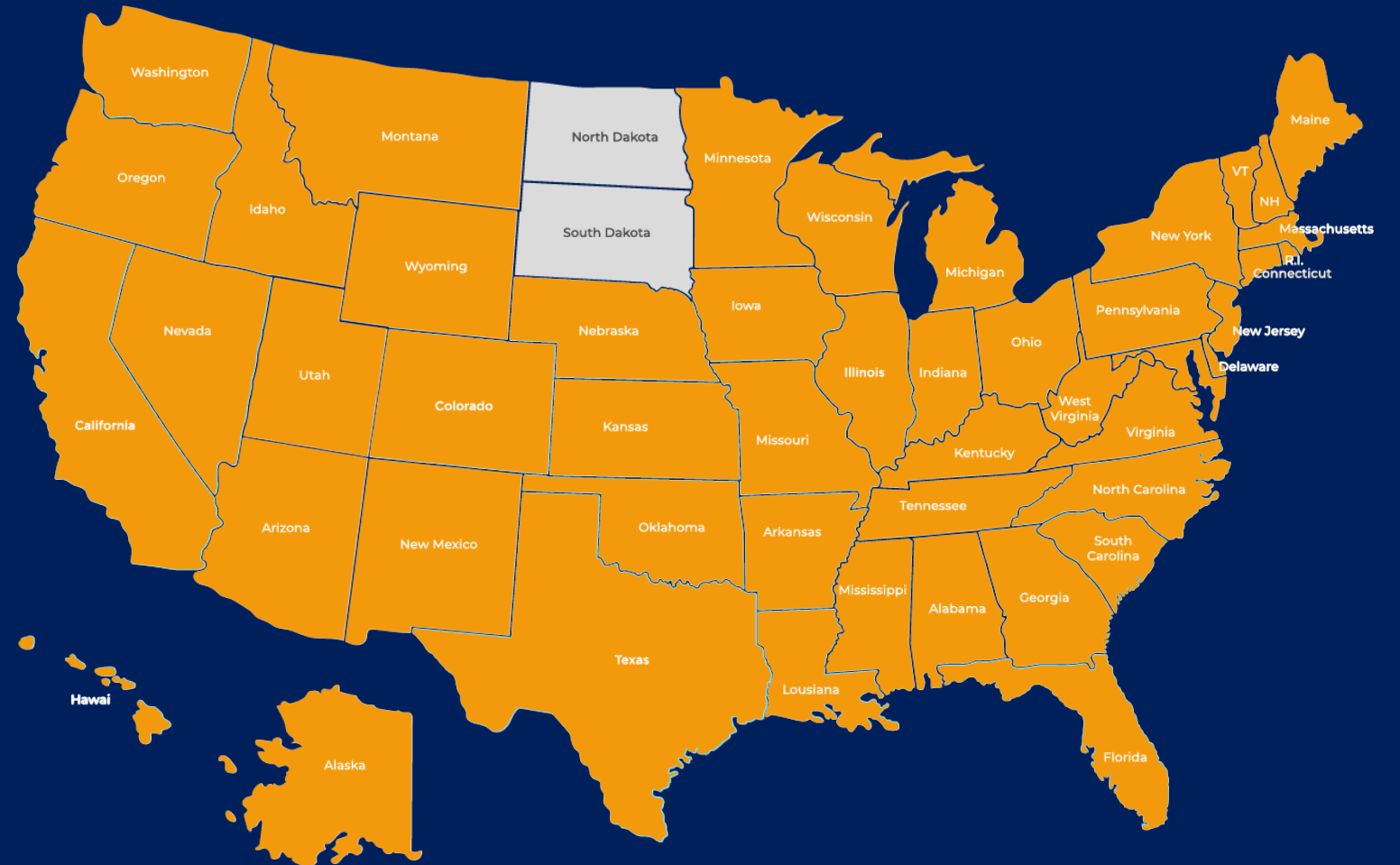
**50% of Services Revenue Booked ONLINE!**



# Rapidly Scaling Vetco to Meet Extraordinary Demand

Our Journey

Propel Growth And Scale



# Extending Our Lead and Presence in Vet Through Strategic Execution

**vetco.**  
**total care**



Added Thrive and  
800+ Vet Hospital Staff

Unified brand generating  
operating synergies

**Tuck-in Acquisitions**



Augments Staffing and Brings  
Mature Practice Day 1

Accretive to LT model  
Advantages of practice maturity

**Vetco “Flex” Platform**



Expanded staffing platform,  
flexible work options  
at hospitals and clinics

Attractive employment flexibility  
within the industry




# **PET HEALTH AND SERVICES**

**DR. WHITNEY MILLER**



# Pet Parents and Vets See We Are Unique and Do Pet Health Better

## CUSTOMERS LOVE US...

	
Access to 90% of Medical Services	Added Convenience Inside PCCs
 Leading Edge Medical Technology	 Integrated, Comprehensive Wellness
Petco vet experience is unmatched	Flexible hours
<b>9.4 Overall Average OSAT Score</b>	

## ...BECAUSE OUR VETS AND TECHS REALLY LOVE US



State-of-the-Art Equipment



Autonomous Medicine

Competitive Compensation and Equity

**Outstanding Partner Scores**  
**>93% of our doctors recommend Petco as great place to work**



# Vet Leadership & Expertise Creating a Performance Culture

## PETCO MEDICAL LEADERSHIP TEAM



Dr. Whitney Miller  
Chief Veterinarian



Dr. Shelly Ferris  
Regional Medical Director

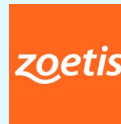


Dr. Alison Marsh  
Regional Medical Director



Dr. Angela Silva  
Regional Medical Director

## TEAM PRIOR EXPERIENCE



## PETCO WELLNESS COUNCIL



Dr. Marie Hopfensperger,  
DVM, DACVB



Dr. Alexandra Horowitz,  
MS, PhD



Dr. Nicole Leibman, DVM,  
MS, DACVIM



Dr. Whitney Miller,  
DVM, MBA,  
DACVPM



Dr. Jonathan Stockman, DVM,  
DACVN



Dr. Tammy Sadek  
DVM, DABVP



Dr. Andrew West  
MEd, PhD



Dr. Lori Teller  
DVM, DABVP, CVJ



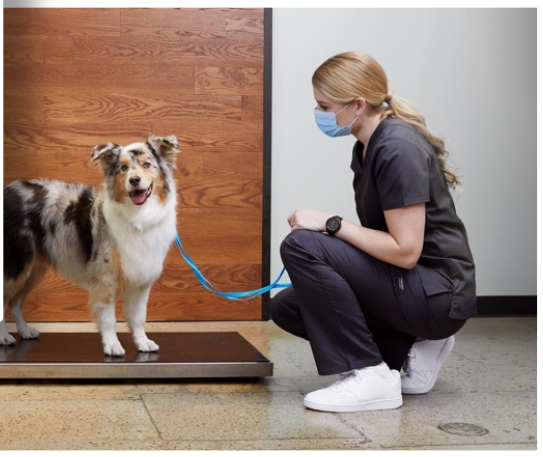
Dr. Raymond Anthony, PhD



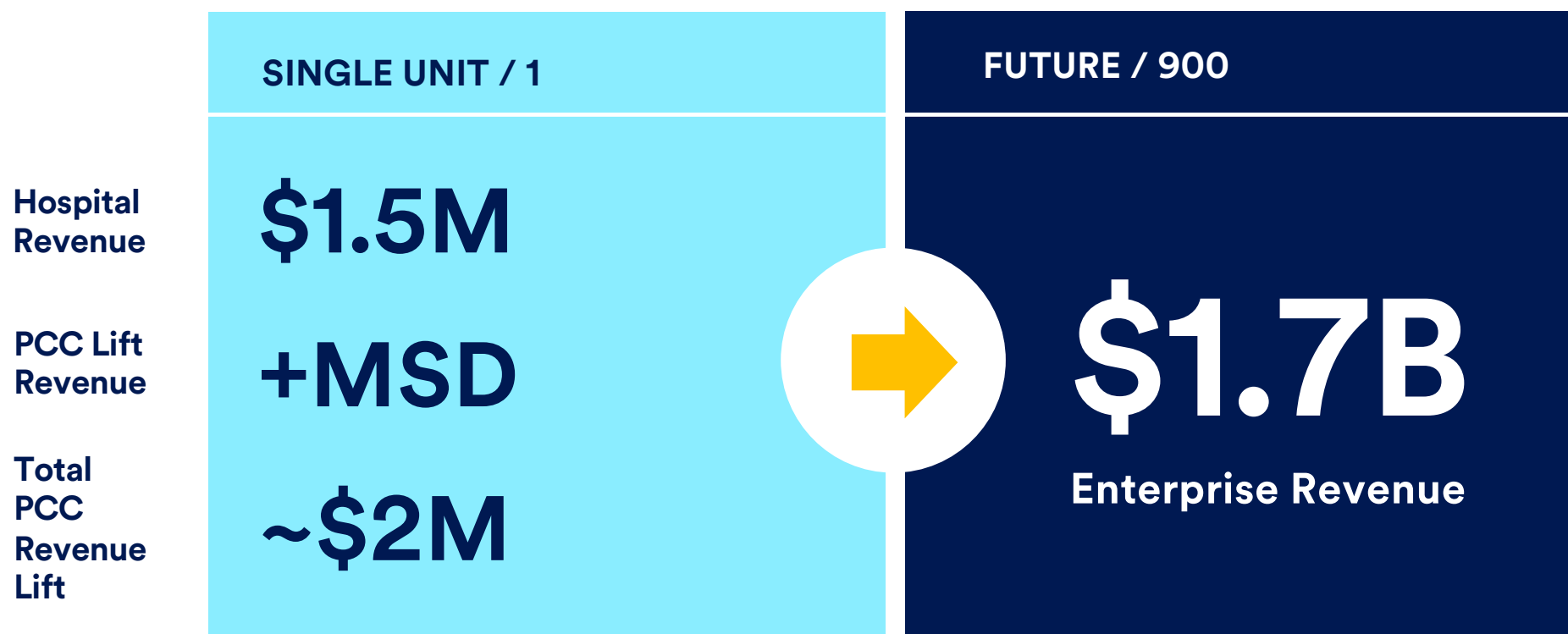
Dr. La'Toya Latney  
DVM, DECZM,  
DABVP



Dr. Kemba Marshall  
MPH, DVM, DABVP,  
SHRM-CP



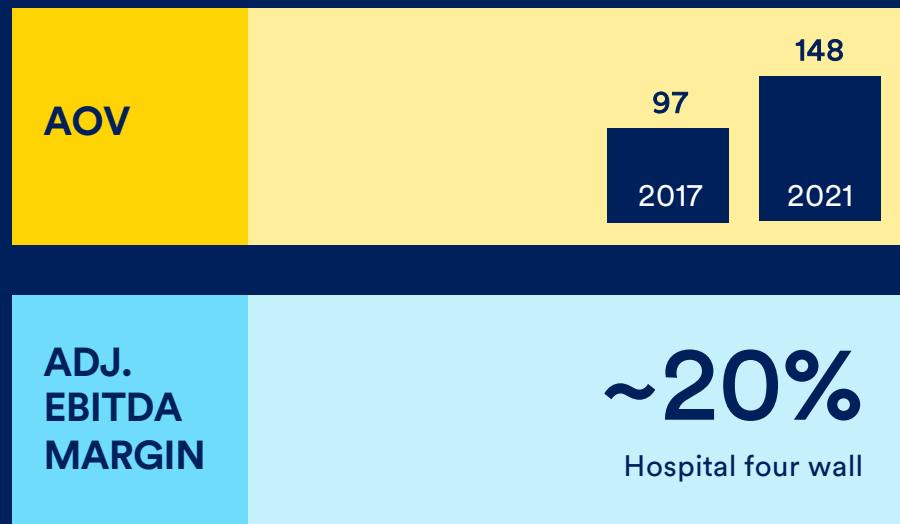
## Vet Economics Support Growth and Add Incremental Value to Each PCC



\* Includes mid-single digit lift in the Pet Care Center store lift. All projections are based on year 5 maturity of vet hospitals

# Continuously Investing and Driving Efficiency in Vet Model

## ATTRACTIVE VET HOSPITAL ECONOMICS



## EXPECTED SERVICES AND VET REVENUE FY2025

**\$1B**



**MERCH**  
OWNED  
& EXCLUSIVE

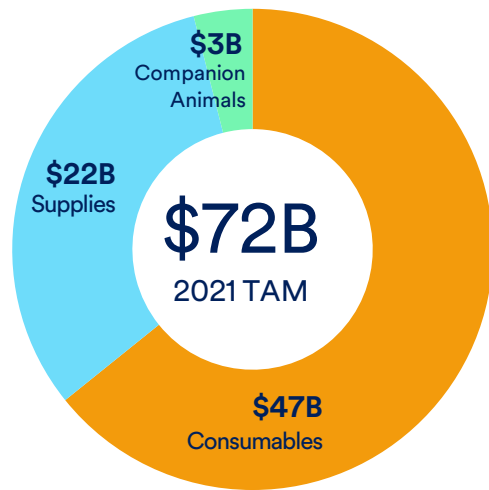
**AMY COLLEGE**



**Jake**



## Market Opportunity



**7%** Total Market  
2021-25 CAGR

**Double  
Digit** Premium Market  
2021-25 CAGR

Notes: 1. Premium Market CAGR reflects Consumables only  
Source: Packaged Facts & Internal estimates for TAM & CAGR

## Our Merch Strategy at Petco is Driven by Three Key Elements...

### Owned Brands

Brand building,  
Customer Loyalty



### Differentiated & Exclusive Portfolio

Assortment, Exclusivity, Brands & Partnerships

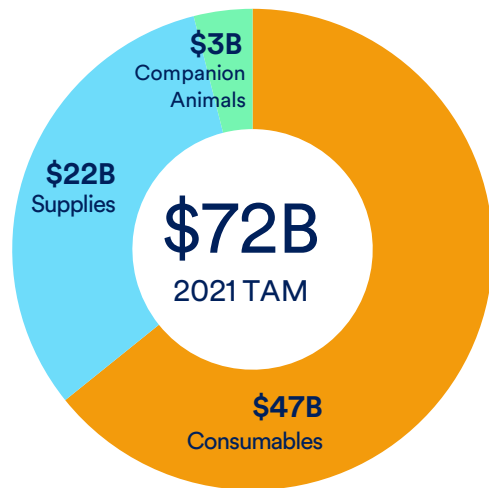


### Premiumization & Humanization

Food, Fashion, Lifestyle



## Market Opportunity



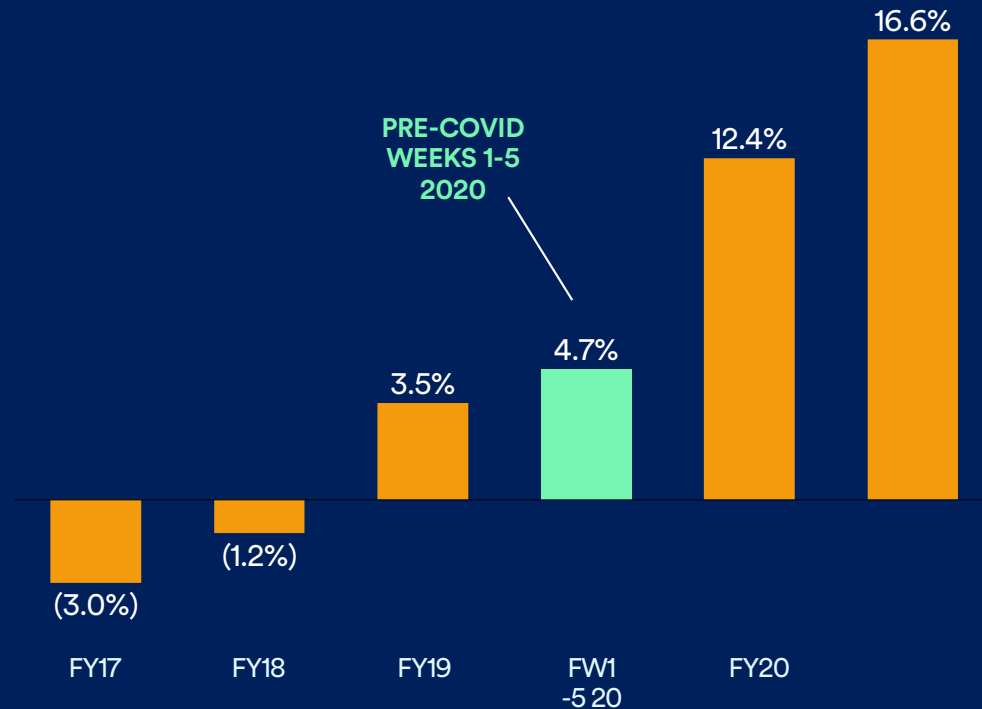
**7%** Total Market  
2021–25 CAGR

**Double  
Digit** Premium Market  
2021–25 CAGR

Notes: 1. Premium Market CAGR reflects Consumables only  
Source: Packaged Facts & Internal estimates for TAM & CAGR

## And We Are Well Positioned to Continue Delivering Results

### MERCHANDISE COMP





# Deploying Customer Insights to Shape Our \$1.4B Owned Brands Portfolio

1 Building Category Leading Brands

2 Premium and Human Trends

3 Convert from Widely-Distributed Brands

Wholehearted Expansion



Innovating Premium Fashion & Lifestyle



Health & Wellness leader



Everyday Essentials



# Creating a Scaled OTC Category for Pets

DIFFERENTIATED

OWNED BRANDS

TAM  
**\$4B+**  
OTC Pest, Supplements,  
Remedies, Grooming  
Supplies



## petco HEALTHY HABITS HUB



Source: Packaged Facts US Market Outlook, Petco internal analysis

# Eliminating Artificial Ingredients

NEWS

## Petco Fulfills Pledge To Ban Artificial Ingredients

The retailer says wellness."

WRITTEN BY TODAY'S V



Petco First and Only Major Retailer of Pet Food to Not Sell Food and Treats with Artificial Ingredients



Forbes

## Petco Throws Artificial Ingredients Out And Further Commits To 360 Degree Holistic Pet Care



Pamela N. Danziger Senior Contributor @  
Retail

*I study the world's most powerful consumers -- The American Affluent*

Follow

This article is more than 3 years old.

### TWEET THIS

- Over time you will see Petco evolve from more of a big-box pet player to a nutrition and services powerhouse that is the pet parent's trusted partner
- PetCoach is a 21st century omni-channel shopping experience that the company describes as an "Apple Store" for pets

# Driving Customer Loyalty

DIFFERENTIATED &  
EXCLUSIVE

## Key brand partnerships



JustFood ForDogs.

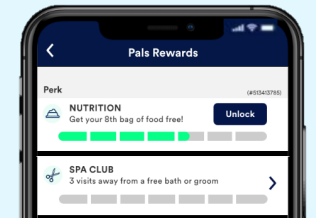
AMINY'S

ACANA

WHOLE hearted



## Nutrition Perk



## Loyalty programs

**DIFFERENTIATED &  
EXCLUSIVE**

# Supplies and Companion Animal Offer Unique Opportunities to Further Drive Profitability and Differentiation

## Supplies



**\$22B**

2021 TAM<sup>1</sup>

**33%**

2-year stack

## Companion Animal

**\$2.9B**

Highly fragmented  
2021 TAM<sup>1</sup>

**35%**

2 year stack



Notes: 1. TAM is projected based on Packaged Facts with minor adjustments from additional sources (APPA, Nielsen, and NPD);  
Source: Petco Internal Analysis, Packaged Facts



**petco**<sup>®</sup>  
THE HEALTH +  
WELLNESS CO.



# Premiumization: Continuing to Drive Leadership and Accelerated Share Growth with an Expanding Portfolio

**PREMIUMIZATION & HUMANIZATION**



Fresh & Frozen

**\$1B** ▶ **\$4B**  
 Market<sup>1</sup> 2021      Market<sup>1</sup> 2025

**46%** YoY Growth

**2.6x** Customer Spend

Note: 1. Market data excludes DTC  
 Source: Petco Internal Data, Petco Internal Analysis using Nielsen & Earnest data

# Reddy: Creating the First Nationally Scaled Pet Fashion and Lifestyle Brand

PREMIUMIZATION & HUMANIZATION

Flagship



Shop in Shop



Reddy  
Insights:

**>50%** of Reddy shoppers are high income earners<sup>1</sup>

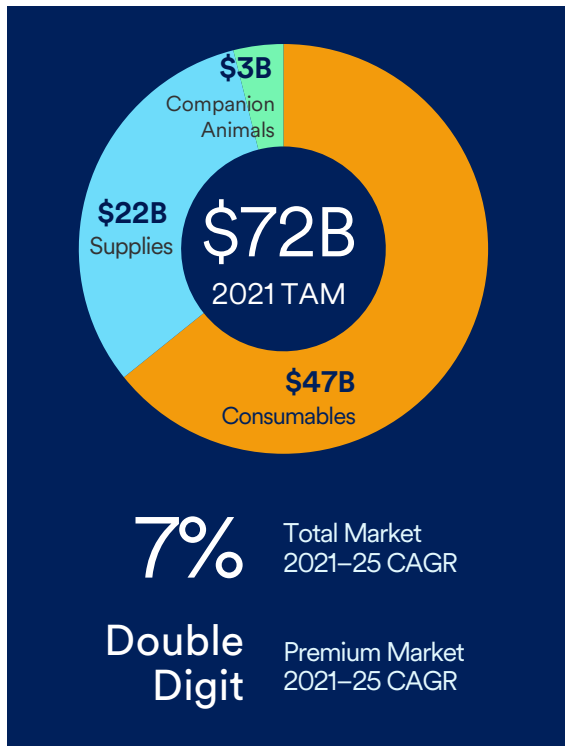
**2.4x** AUR versus rest of Supplies

Notes: 1.High income earners refer to over those earning over \$80K

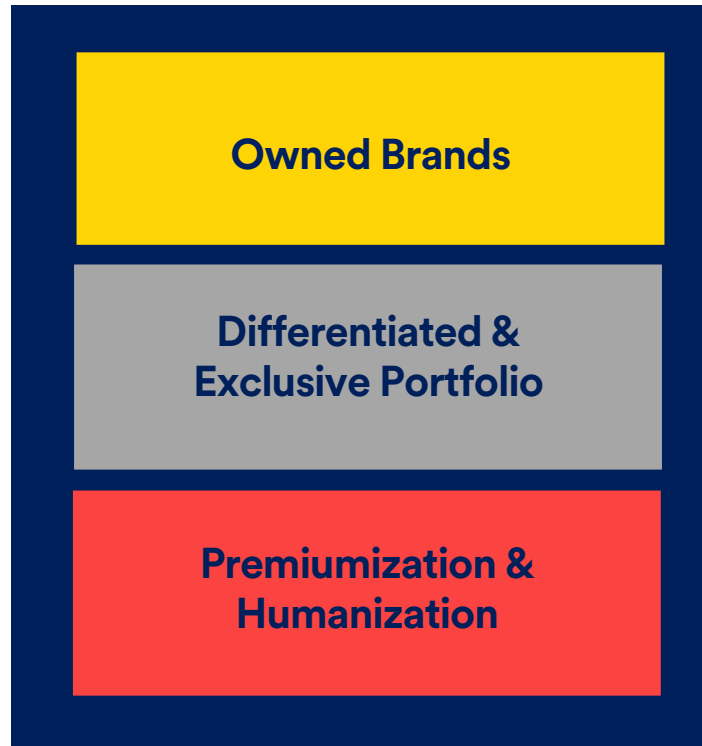
Source: Numerator Panel Shopper Data (Brand Buyers vs. Total Pet Shoppers) Updated November 2021. Indexed to total pet shoppers, Petco Internal Analysis,

# Continuing to Deliver Results with Significant Headroom for Growth

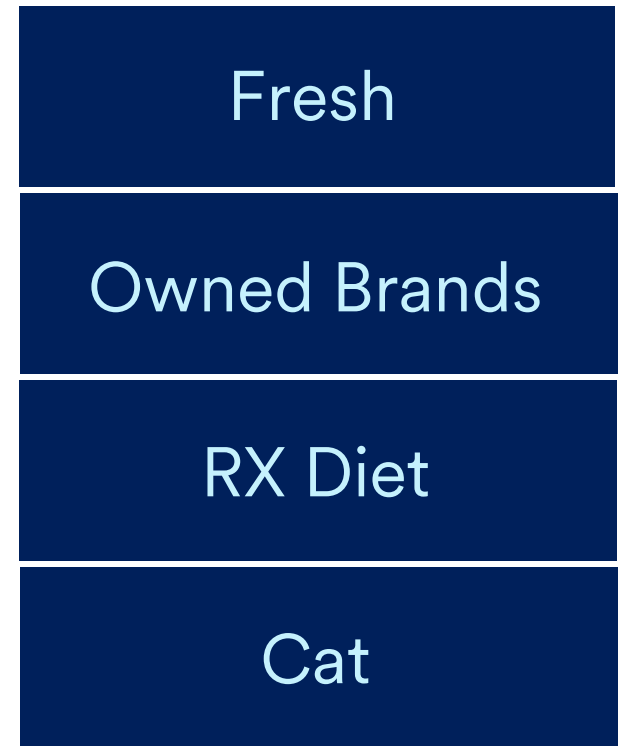
## Market Opportunity



## Strategy



## Focus Areas



Source: Packaged Facts & Internal estimates for TAM & CAGR  
Notes: TAM is projected, Market CAGR



# **DIGITAL** & **INNOVATION**

**DARREN MACDONALD**



## Gained the Most Market Share Out of Any Pet Retailer

1 yr Share Gain ppt  
2021 vs 2020

290 bps

2 yr Share Gain ppt  
2021 vs 2019

180 bps

Source: Based on Numerator consumer panel  
insights data from Calendar Years 2019 - 2021.





**We Launched...**

**2018**

Petco App

Buy Online Pick-Up  
In Store (BOPUS)

Online Service  
Appointments

**2019**

Ship from Store

Competitive  
Pricing Engine

My Pet Screen  
Personalization

**2020**

Same Day Delivery

SFS & Curbside  
Pick-Up  
Nationwide

Pet Care  
Reminders

**2021**

Rx Expansion

Petco AdWorks

Buy Now Pay  
Later Payment  
Integration

PupBox Stages

**Category  
leader...**

**delivering  
best-in-  
class  
capabilities**





## Winning with Digital

**127%**

2-year sales stack growth

**1.7x**

Greater multi-channel customer retention in FY21

**35%**

Recurring revenue growth in FY21

### HIGH GROWTH, HIGH VALUE

Executing against unique digital capabilities

### 360 PET HEALTH ECOSYSTEM

Providing an unparalleled customer experience

### DISRUPTIVE INNOVATION

Expanding categories with enhanced profitability focus

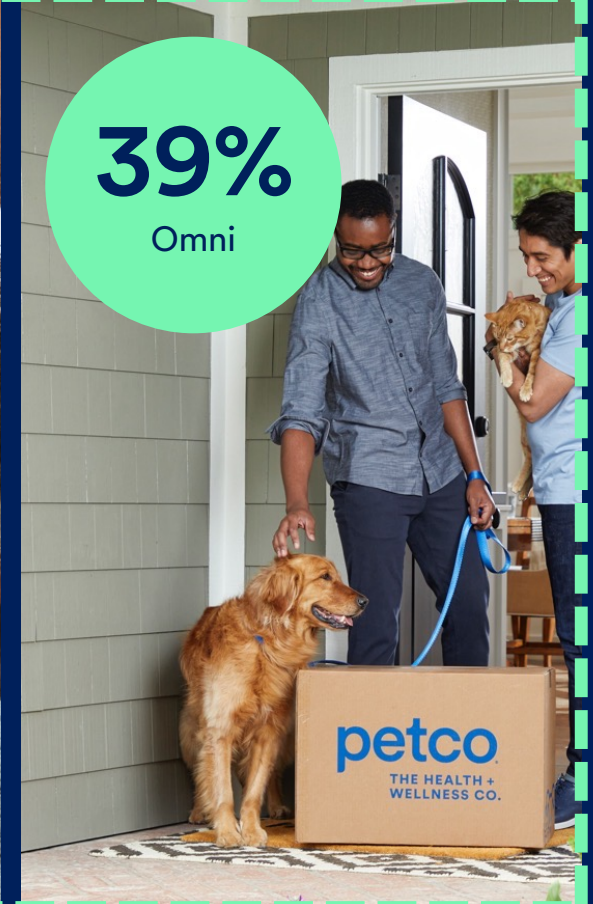
### TOP DIGITAL TALENT

Sourcing leaders from top tech and digital retailers





## Positioned to Meet Customer Preferences



# How Our Digital Business is The Ultimate Petco Enabler



Service Bookings



Loyalty & Care



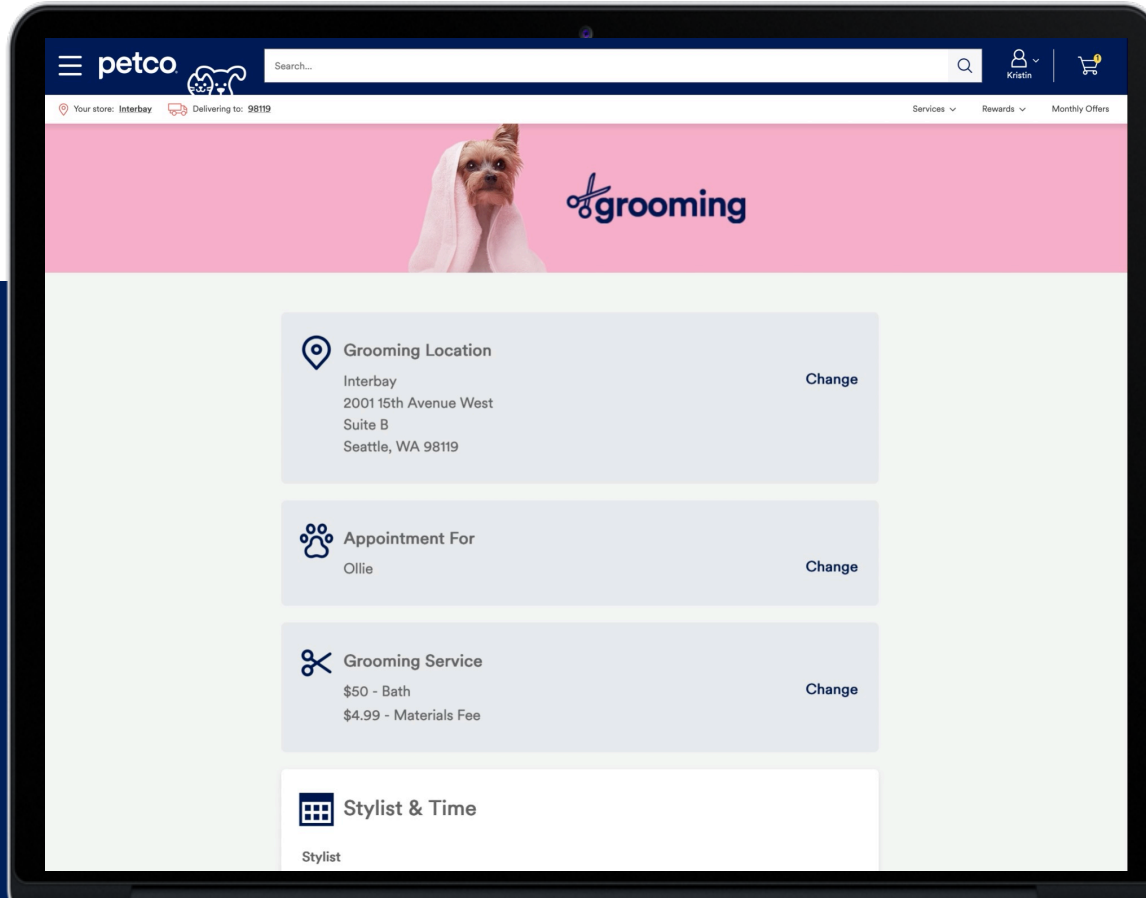
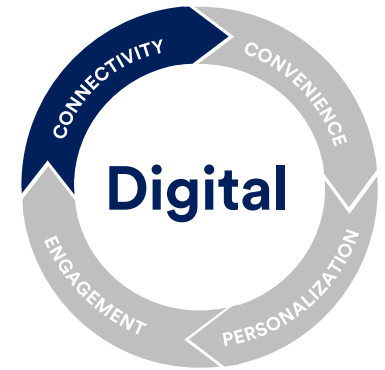
PCC Fulfillment



Recommendations

**ENABLED BY OUR ROBUST, DIGITALLY INTEGRATED DATA & INSIGHTS**

# How Our Digital Business is the Ultimate Petco Enabler



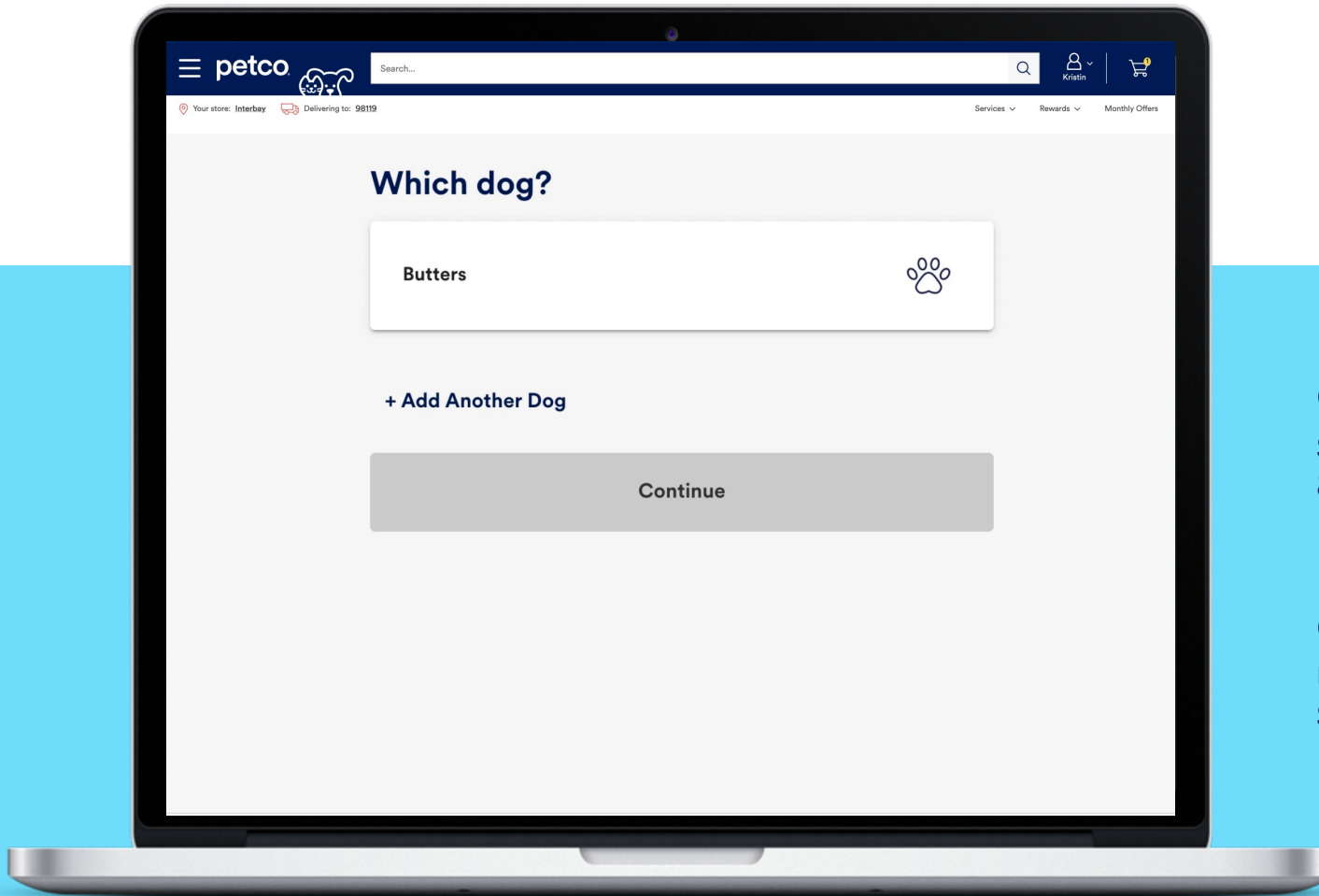
## Services

Appointments for vet care, grooming training & more

## Rx & Vetco

Customer integration driving new growth & acquisitions

# How Our Digital Business is the Ultimate Petco Enabler



## Customer Experience

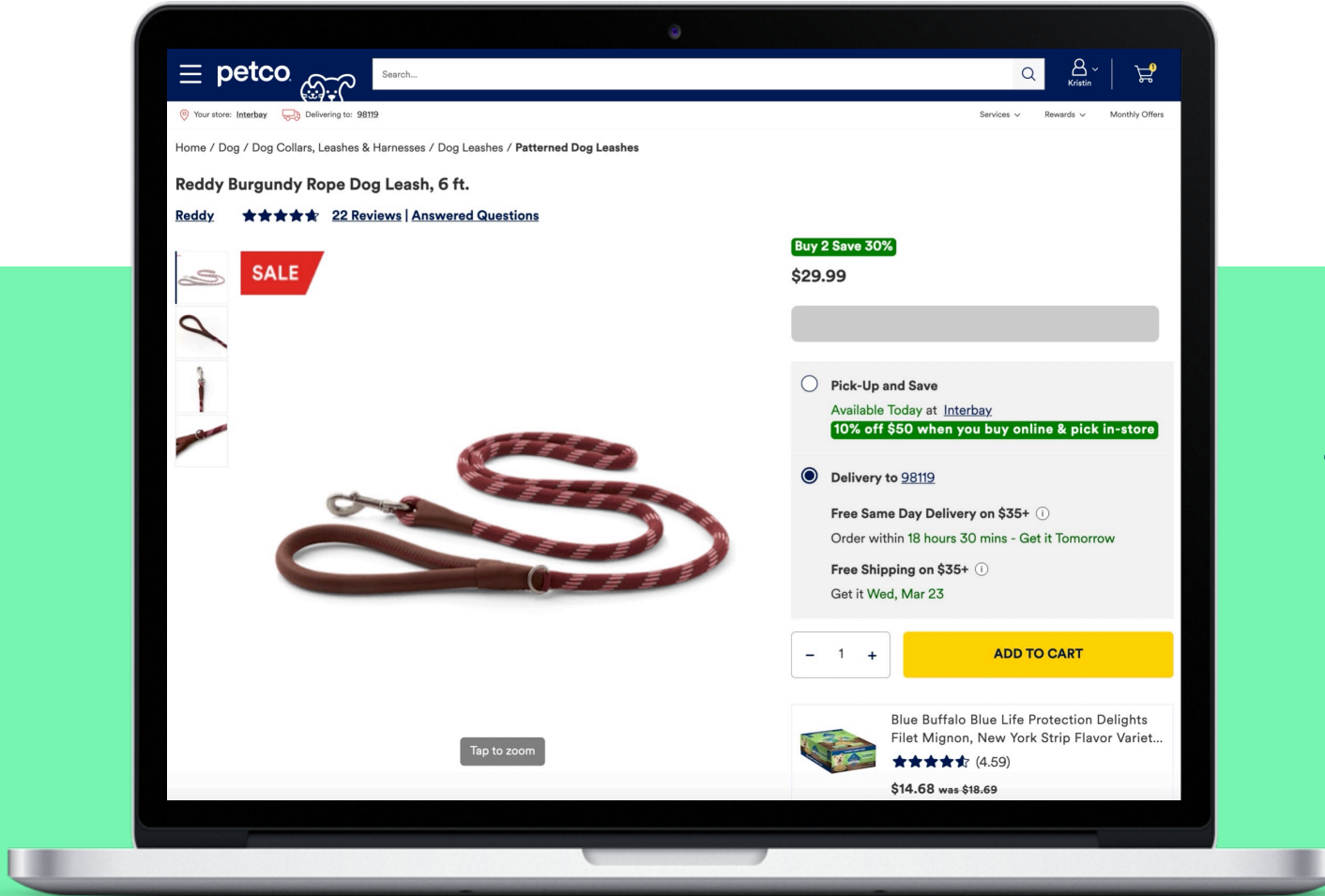
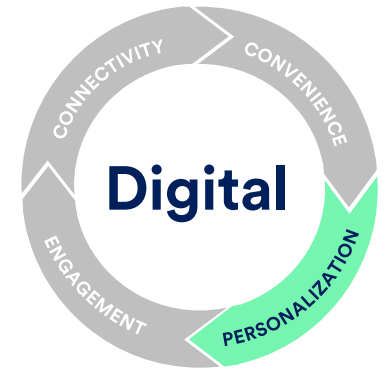
Simple shopping, Right Food Finder & expert PCC partners

## Get it your way

Unique delivery options with Ship-from-store, SDD, & BOPUS



# How Our Digital Business is the Ultimate Petco Enabler



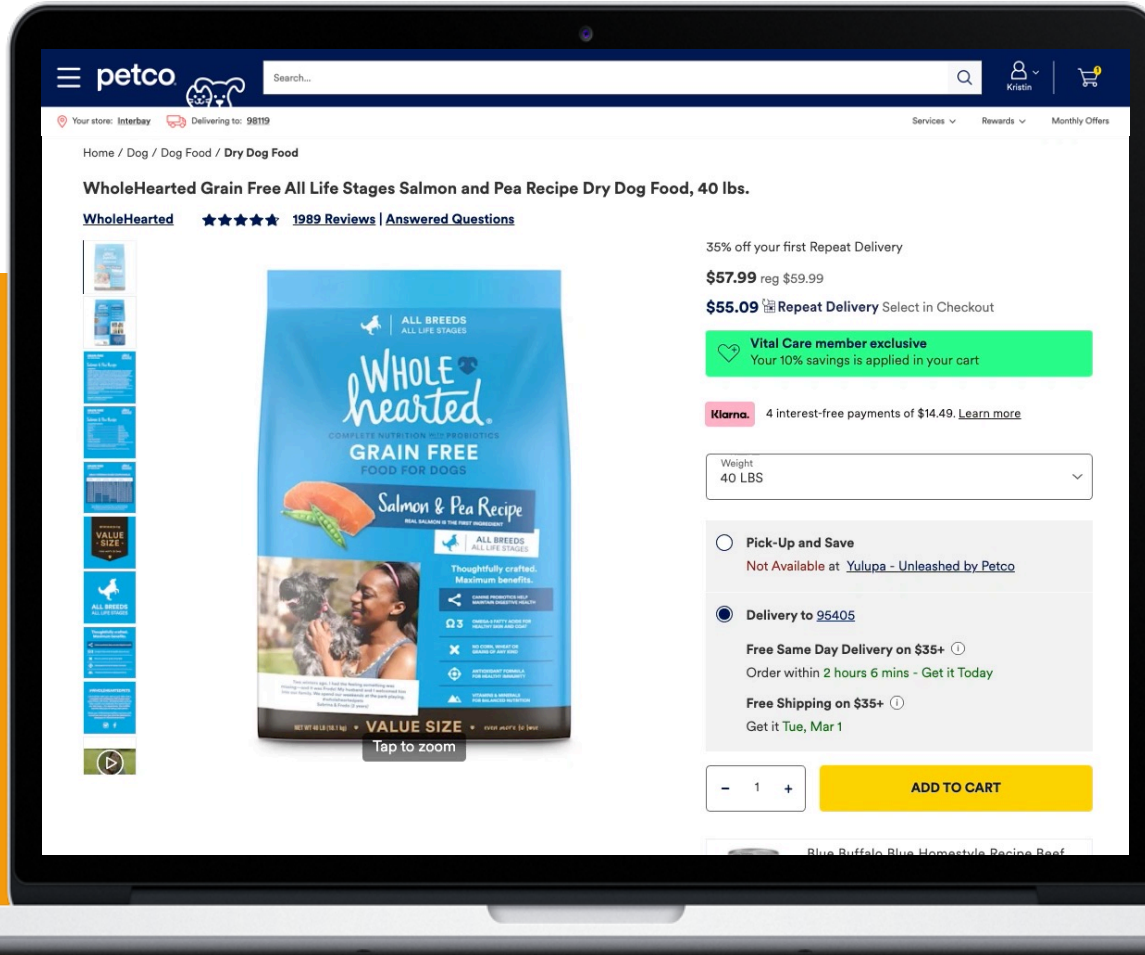
## Pet Profiles

46% of app users create a pet profile

## Recommendations

~8M care reminders and personalized pet profile shop

# How Our Digital Business is the Ultimate Petco Enabler



## Vital Care

Driving new sign-ups and reinforced value throughout the site & app experience

## Pals & Nutrition Perks

One-stop-shop to view, manage and redeem all loyalty benefits

## Industry-leading App, Unlocking the Highest Value Customers

~80%

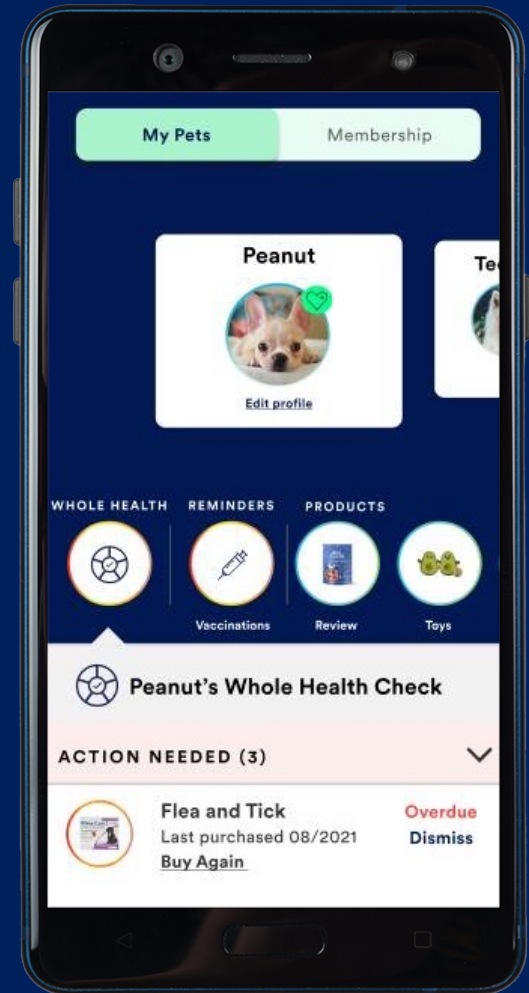
MORE Q4 SPEND THAN  
NON-APP USERS

~60%

Q4 MARGIN THAN  
NON-APP USERS

~90%

FY21 WEEKLY ACTIVE  
USER GROWTH



Mock-ups are illustrations only and subject to change

# Creating Stronger Structural Advantages & Capabilities

**~50%**

less cost when shipped through PCCs

**91%**

choose Same-Day or BOPUS when available

## AREAS WHERE WE MEET

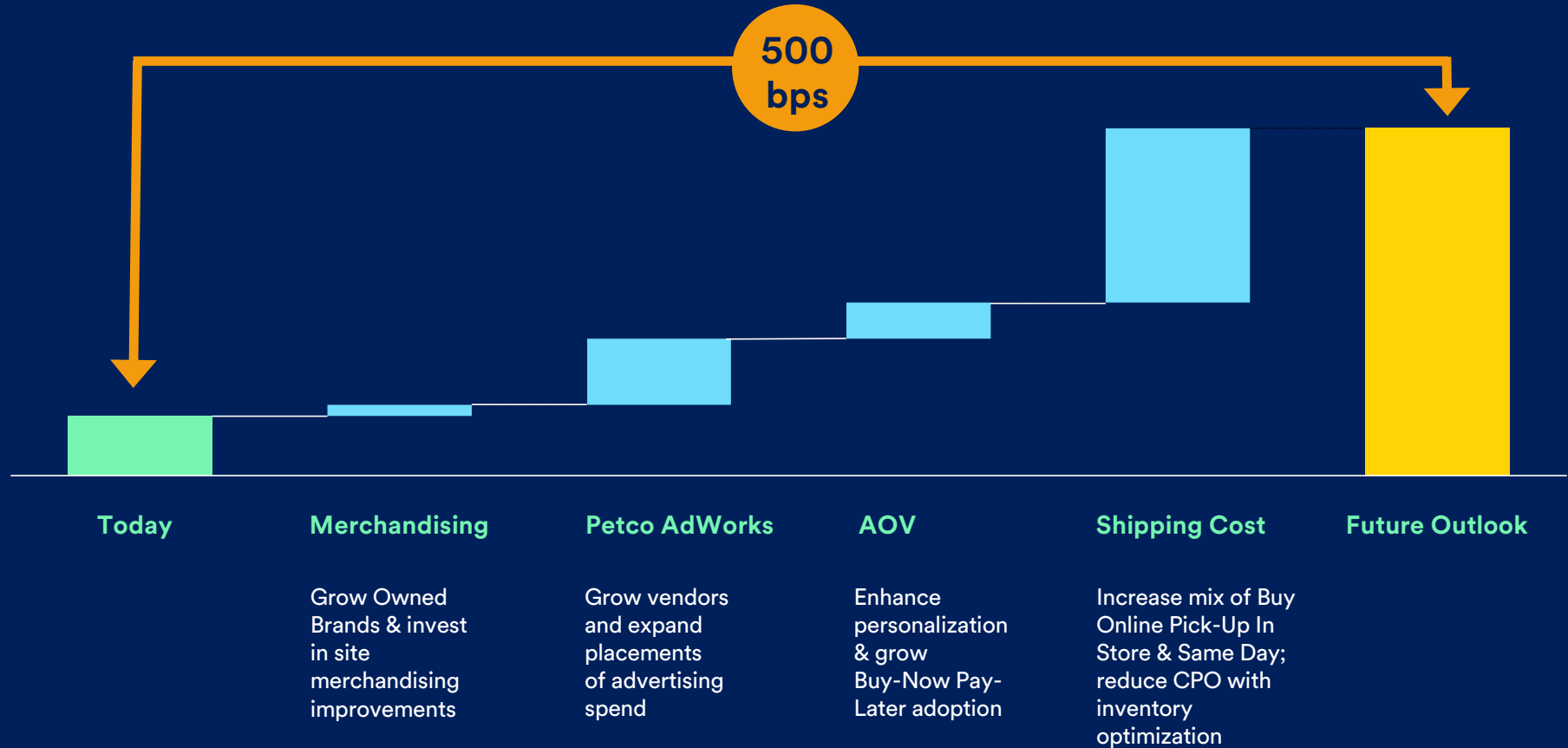
COMPETITIVE PRICING  
ASSORTMENT

## AREAS WHERE WE BEAT

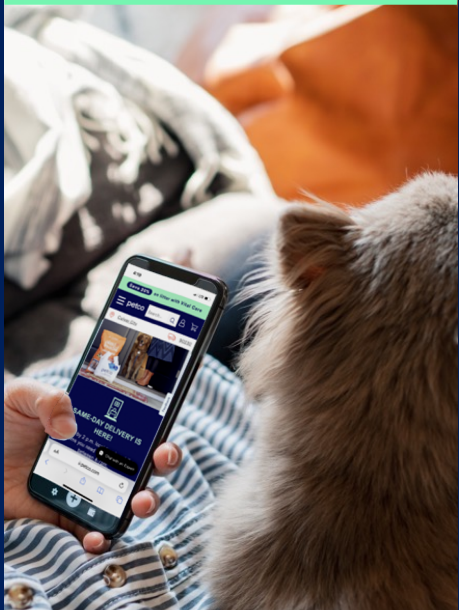
SAME DAY DELIVERY  
BOPUS  
REPEAT DELIVERY  
VITAL CARE  
SERVICES



## Focus on Continuous Profitability Improvement Against Multiple Business Levers



**Building World Class  
Digital Customer  
Experience**



**Leveraging Structural  
Advantages**



**Delivering Profitability  
Enhancements**



**RETAIL 3.0**

**NEW  
CUSTOMER  
ACQUISITION**

**CAPTURING  
SHARE OF  
WALLET**

**IMPROVED  
LTV**

# **PET CARE** **CENTERS**

**JUSTIN TICHY**



## Strong Track Record of Results

**7**

Consecutive Quarters Of  
Positive B&M Comp Growth

**9.1M**

New B&M Customers  
Over A Two Year Span

**26%**

Revenue Per Labor Hour  
Two Year Growth

**24%**

Owned Brands  
Two Year Growth

**80%+**

Pet Care Center  
Omni Fulfillment

**\$29M**

Annualized Repurposed  
Task Labor





# Nashville Summit

POWERED BY THE PARTNER

POWERED BY THE PARTNER

petco





# Unlocking the Soul of Our Culture

Empowering  
our Partners...

**1.2M Learning  
Hours**

INTENT Selling  
Culture Training

25K Partners offering  
Whole Health solutions

Highly Trained Partners  
Engaging & Directing Guests

...to Enhance Pet Parent  
Experiences

**PCC Tech  
Investment**

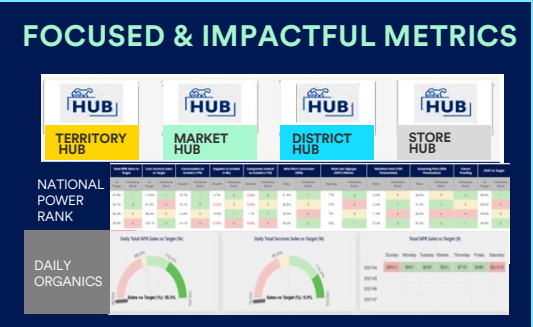
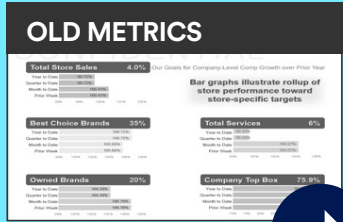
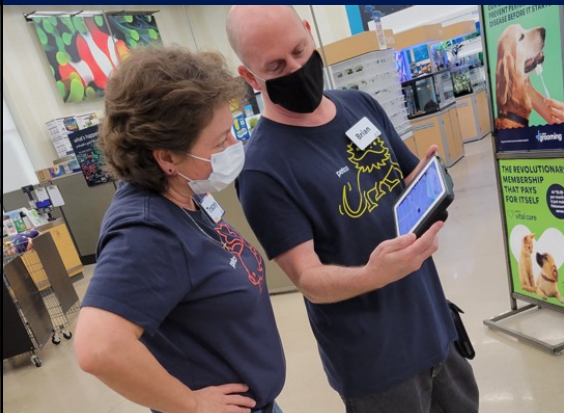
Business Intelligence  
Investments in PCC Analytics

Growth investments in  
new hardware for PCC

Strategic Omnichannel  
investments



# Improving our Fundamentals



# Key Customer Service Metrics

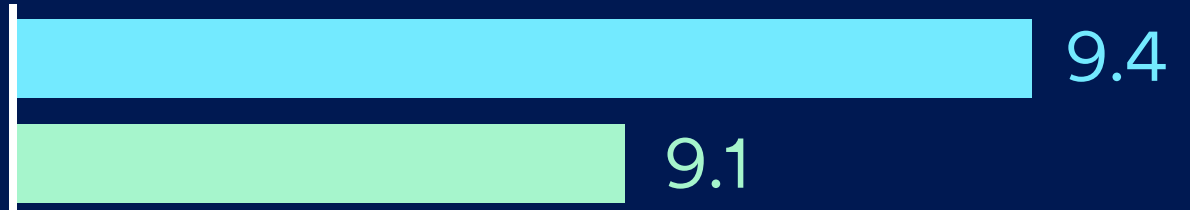
## Delighting Guests Who Trust our Partners for Great Advice



**PARTNER  
FRIENDLINESS**

**petco**

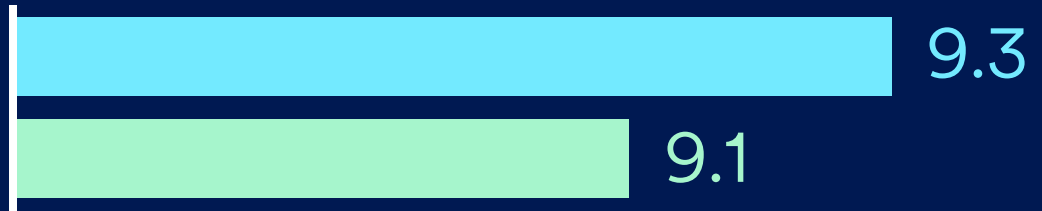
INDUSTRY  
BENCHMARK



**PARTNER  
KNOWLEDGE**

**petco**

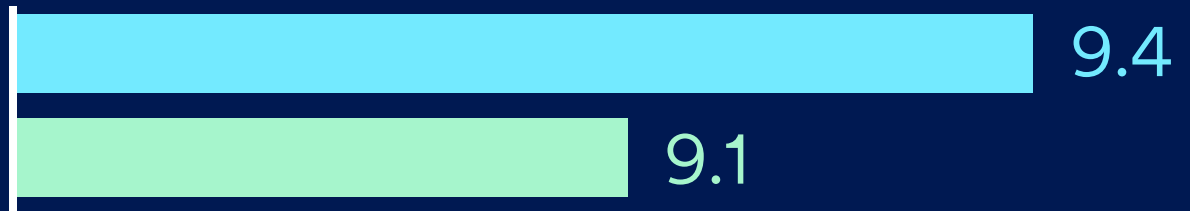
INDUSTRY  
BENCHMARK



**PARTNER  
HELPFULNESS**

**petco**

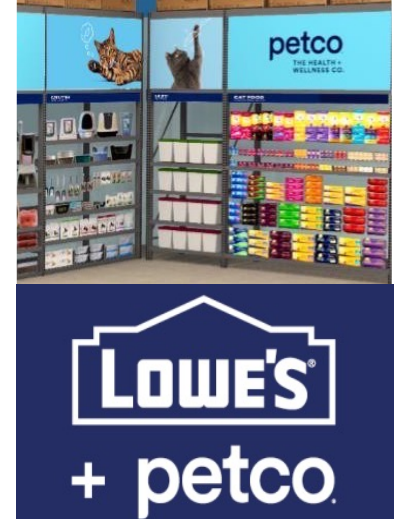
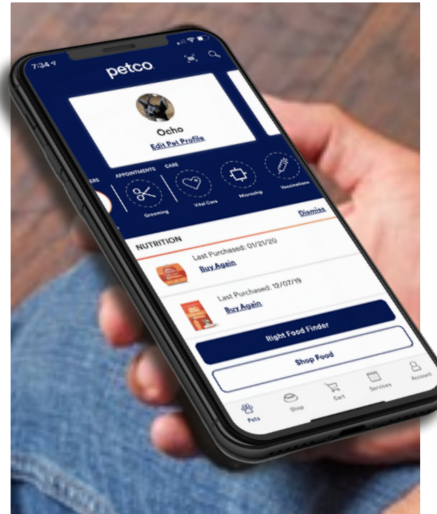
INDUSTRY  
BENCHMARK



**Petco Outperforms The Industry Average**



## Retail 3.0: World Class Pet Health & Wellness Anyway You Need It



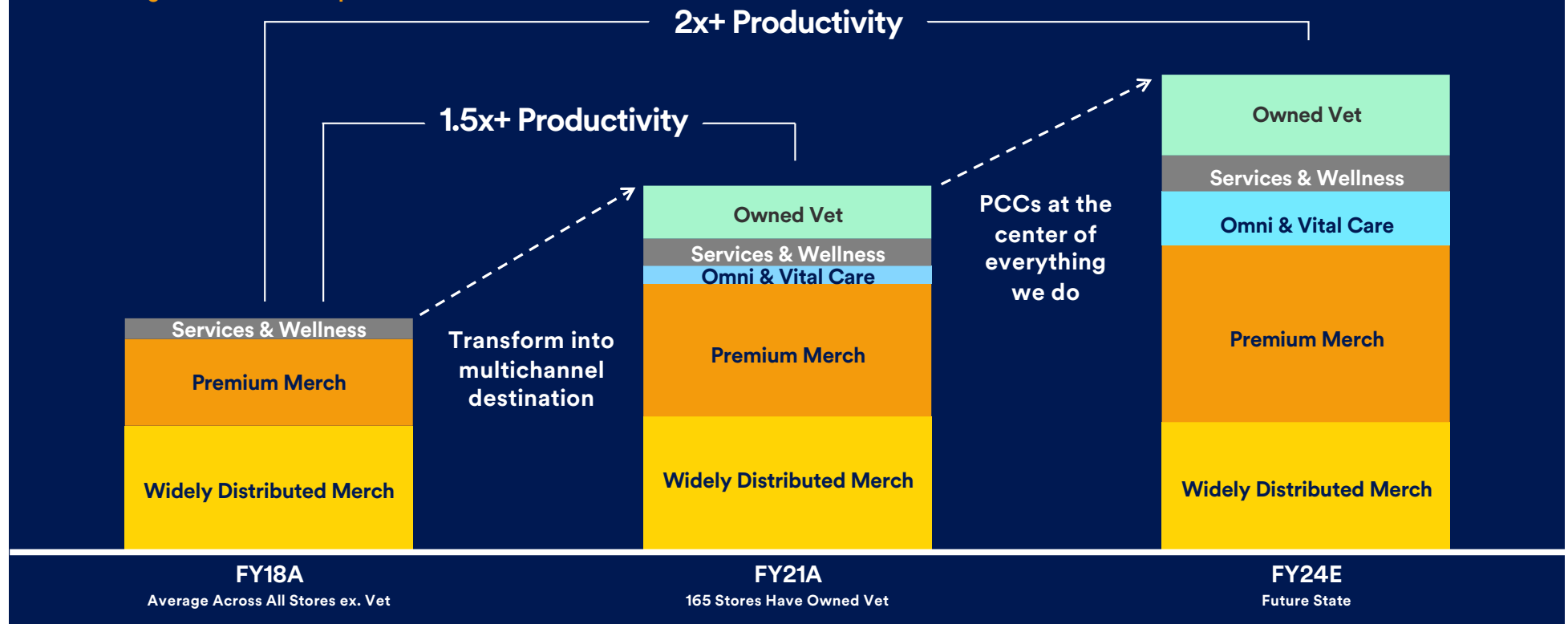
**PET CARE CENTERS + PARTNERS + OMNI + SERVICES =  
OPPORTUNITIES**

# Pet Care Center Evolution Delivering 2x+ Productivity in a Highly Scalable Model

Growing PCC productivity driven by multichannel strategy and enhanced partner sales cultures

Petco Average Annual Revenue per Location

CONFIDENTIAL





# Pet Specialty is UNDERSERVED in Small Town Markets

petco  
**\$1.3B**  
OPPORTUNITY

**\$7B**  
SMALL  
MARKET  
TAM

Source: Estimates based upon External Industry sources and Company Information

## Neighborhood Farm & Pet Supply



### Test in Multiple Southern States

① Open Q2    ② Validate    ③ Scale

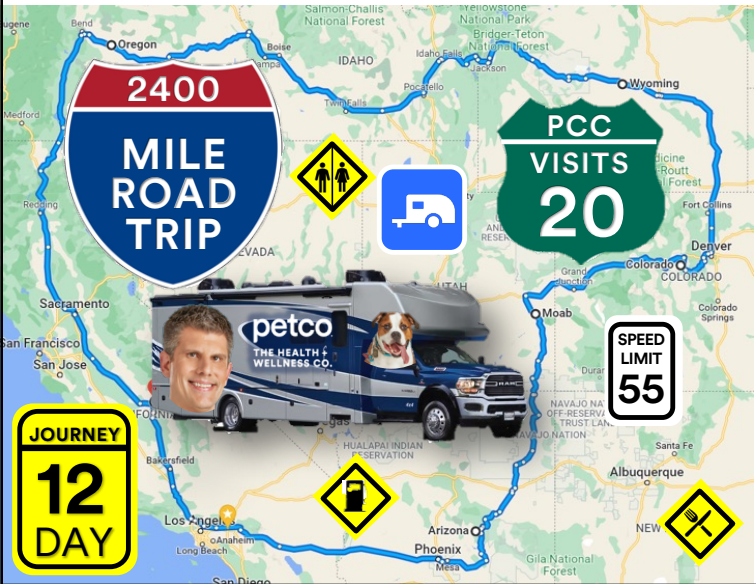
**Freestanding store** in a prime retail node featuring “Garage and Yard” curated customer experiences

**Farm and Feed** with high quality foods, supplies brands and Companion Animal assortment

**OMNI enabled** with differentiated Services such as Vet Clinics, Mobile Grooming and Self Wash stations

**One Stop Shop** for all your Pet and Livestock needs with a Community feel

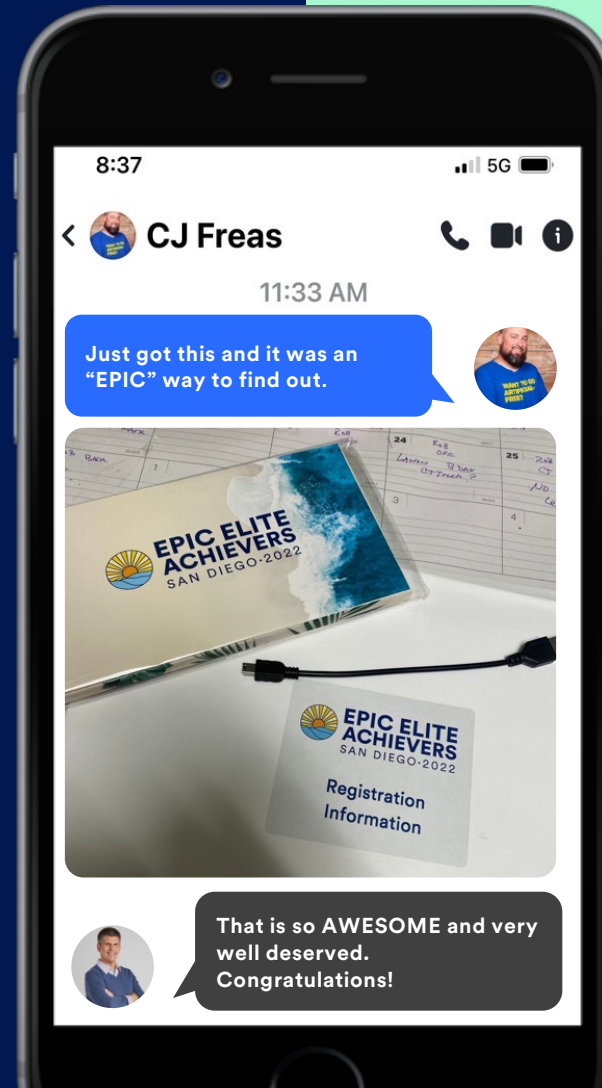




# FLIPPING THE COMPANY UPSIDE DOWN

The more we listened and  
removed obstacles,  
the better we performed

**We work for our  
Pet Care Center Partners**







**WE ARE A PURPOSE DRIVEN COMPANY**  
**WE HAVE 25K PASSIONATE PARTNERS**  
**WE ARE #petcoStrong**



**CREATING  
VALUE  
THROUGH  
LOYALTY &  
MEMBERSHIP**

**RON COUGHLIN**





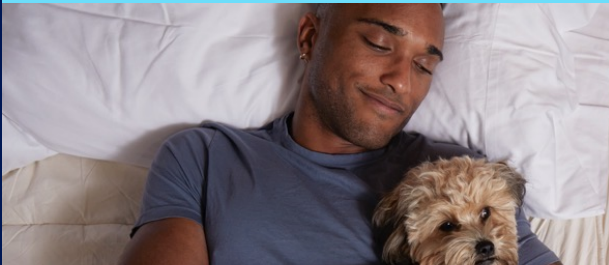
# Loyalty and Membership Ecosystem

## PALS REWARDS

**~23M**  
Customers

### Basic Loyalty

Omnichannel Experience  
Free to all Customers



## PERKS

**~1.2M**  
Members

### Point Products

Grooming and Nutrition  
Buy 7 Get 8th Free

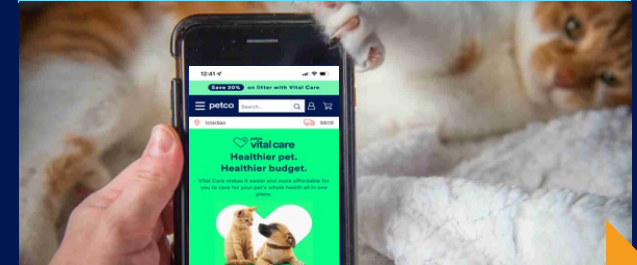


## VITAL CARE

**~200K**  
Subscriptions

### Comprehensive Pet Health

Paid Membership  
"Gold Standard" Experience

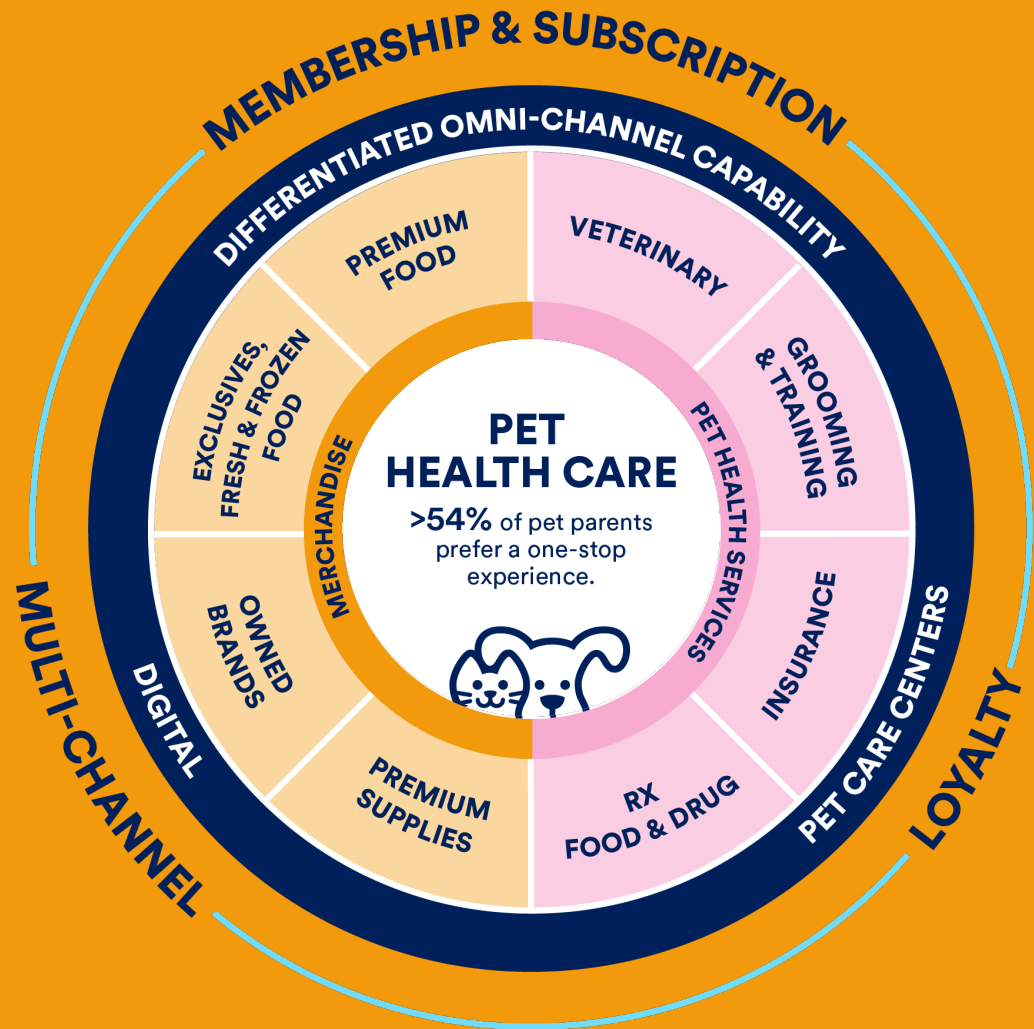


**DATA-DRIVEN APPROACH TO CONVERTING CUSTOMERS FROM FREE TO PAID MEMBERSHIP**



petco  
**vital care**

**Healthier Pet  
Healthier Budget**





**Healthier pet.  
Healthier budget.**

Vital Care makes it easier and more affordable for you to care for your pet's whole health all in one place.

**JOIN NOW**



# What is Vital Care

Revolutionary Program  
Unlocks the Best of  
Petco's Whole Health  
Offerings

## Unlock the best of Petco with the wellness plan that pays for itself

At \$19.99 per month, Vital Care just makes Petconomics sense

**Dog**

Cat



### Unlimited routine vet exams

\$20 Pals Rewards for every routine exam at the vet of your choice or unlimited routine exams at participating Petco vet locations.

[Find an eligible Petco veterinarian](#) ▾



### \$15 Pals Rewards every month

For all of your dog's health & wellness essentials.



### 10% off all nutrition

Any brand of dry, wet, fresh or frozen.

Excludes treats & chews.



### 20% off every groom

Keep physical health top of mind with routine grooming and solve for common problems like dry skin, shedding and more.\*



### Repeat Delivery Savings

Extra 5% off nutrition when you sign up for Repeat Delivery.\*\*

Vital Care is Good for Petco...

## MAXIMIZING SHARE OF WALLET

3X

Spend to  
average dog  
customer

~70%

increase in spend  
and trips over  
6 mo. Period

+30%

New to Services

+20%

New to  
Consumables





## And It's Good for Pets...



**23%**

New to Quality  
Nutrition

**2.9x**

Groom Visit 6 Mo.  
After Signing Up  
for Vital Care

**3.4x**

Vet visit 6 Mo.  
After Signing Up  
for Vital Care



“Vital Care makes it easy to ensure you are keeping up with your pet’s vet, grooming and nutrition needs, all of which are critical to a healthy life.”

**DR. WHITNEY MILLER**  
Chief Veterinarian, Petco

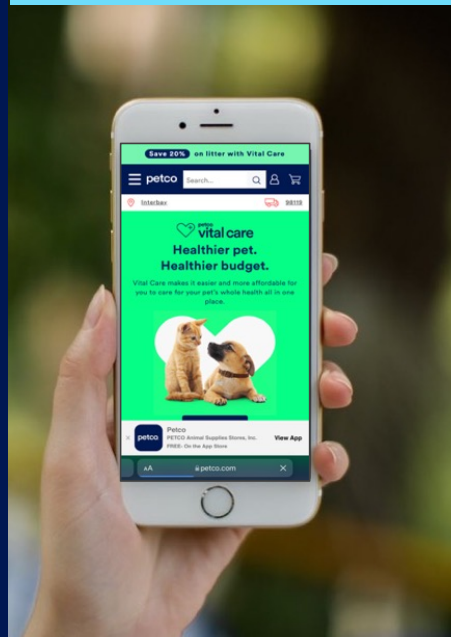
# Massive Customer Base to Convert to Paid Members

## ACTIVATING VITAL CARE THROUGH:

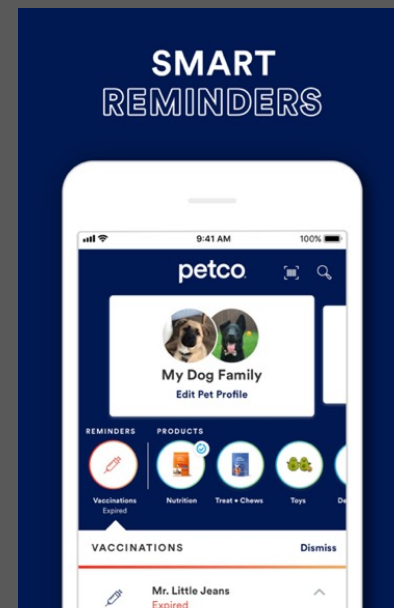
### Pet Care Centers



### Digital Touchpoints



### Outbound Marketing



LAUNCHED PETCONOMICS IN FEBRUARY 2022

## Accelerating Vital Care

### VITAL CARE 2.0

- Expansion to Cat
- Repeat Delivery Integration
- Affiliate Program

### FUTURE

- Expansion to Companion Animal
- Personalization and Customization
- Enhanced VIP Experience



VITAL CARE SUBSCRIPTION

PERKS

PALS REWARDS

**1M MEMBERS** \$400M REVENUE

# **CUSTOMER & MARKETING**

**KATIE NAUMAN**







## Cutting Edge Customer & Marketing Engine

360-Degree  
Customer  
Data  
Platform



**D**ata  
**O**rchestration  
**G**uide

**DOG** house

Adaptive  
Algorithms



**C**ustomer  
**A**ctivation  
**T**ools

**CAT** tree

Acquisition,  
Monetization,  
Retention

**PRECISION  
MARKETING**

**ROAS**

**2.75X**

INDUSTRY AVERAGE

**MEDIA-DRIVEN  
REVENUE**

**+34.5%** YoY

## RIGHT CUSTOMERS

Targeting the highest value customers

## RIGHT MESSAGE

Solution-focused comprehensive health & wellness

## PRECISION MARKETING



## RIGHT TIME

Real time personalized recommendations for individual pet needs

## RIGHT PLACE

Reaching customers where and how they consume information

## Health-Conscious Pet Parents



88%

Willing to pay whatever it takes to feed their pets healthy food

91%

Believe it is important to consider their pet's emotions & mental health

84%

Take their pets for regular check-ups, even when they're not sick

73%

Believe paying more for premium brand pet products is worth it

16%

HIGHER THAN AVERAGE SPEND

29%

CATEGORY SPEND



## RIGHT CUSTOMERS

Targeting the highest value customers

## RIGHT MESSAGE

Solution-focused comprehensive health & wellness

## PRECISION MARKETING



## RIGHT TIME

Real time personalized recommendations for individual pet needs

## RIGHT PLACE

Reaching customers where and how they consume information



Go  
**BEYOND THE  
BASICS**  
of pet parenting and  
join Petco's revolution for  
**WHOLE HEALTH.**



petco  
THE HEALTH +  
WELLNESS CO.

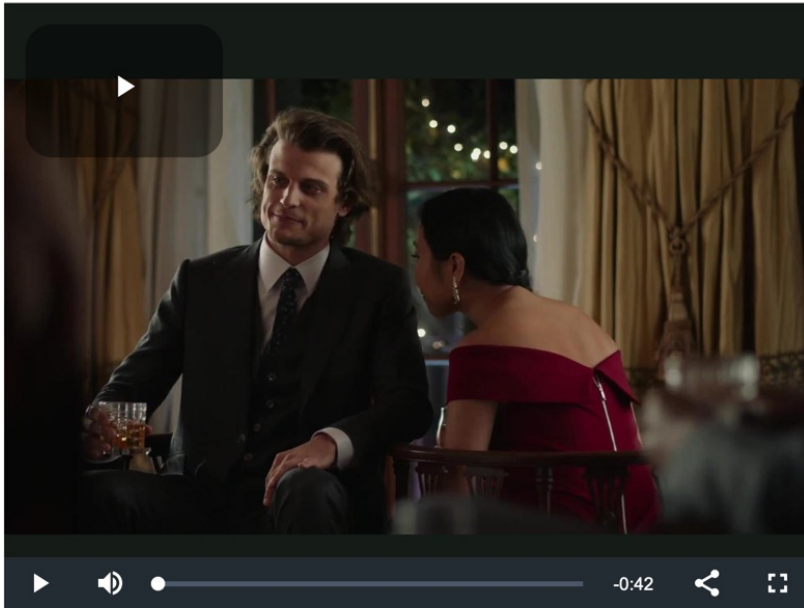


Year in Review

## THE 30 BEST ADS OF 2021

In a year of uncertainty, these are the 30 commercials and brand moves that stood out from the pack

By [Ann-Christine Diaz](#), [Alexandra Jardine](#) and [Parker Herren](#). Published on December 16, 2021.



### 16. **Petco: It's What We'd Want If We Were Pets** **Agency: Droga5**

Petco made a brave and interesting move in 2021. It became a “health and wellness” company for pets. To announce that shift, it debuted a fun campaign out of Droga5 that imagined pets as people discussing the company’s range of services. As well as cleverly matching the humans at a snobby cocktail party to their animal counterparts, the campaign skilfully illustrated the retailer’s new brand direction. A later spot focused on the mental health of pets as their owners went back to the office.

**Read: [Petco ad highlights mental health of pets](#)**

**Also: [Scented pawprints lead dogs to Petco's new store](#)**



**+117%**  
**VENDOR INVESTMENT**

Eukanuba



Freshpet

Elanco

Petmate



PURINA  
PRO PLAN



Sustainably yours  
NATURAL CAT LITTER



WORLD'S BEST  
CAT LITTER

JustFood  
ForDogs  
More life. More years. More love.



Instinct  
the RAW brand

KONG

Vitakraft

Naturally  
Fresh  
WALNUT SHELL CAT LITTER

Tyson

the  
honest  
kitchen

Tiki

Wild One

Nylabone  
CHEWS BEST

Natural  
Balance

WELLNESS

Taste of  
the Wild



MARS  
Petcare

THUNDERWORKS  
INSANELY CALM

solid gold

PETARMOR

BARBARA BENT  
NUTRISH

Applaws  
Natural Cat and Dog food



ökocat



MannaPro  
nurturing life.

FRONTLINE



KAYTEE



Zilla

Spectrum  
Brands

AQUEON  
It's all about the fish.

PLAYOLOGY

petco<sup>®</sup>

THE HEALTH +  
WELLNESS CO.



## RIGHT CUSTOMERS

Targeting the highest value customers

## RIGHT MESSAGE

Solution-focused comprehensive health & wellness

## PRECISION MARKETING



## RIGHT TIME

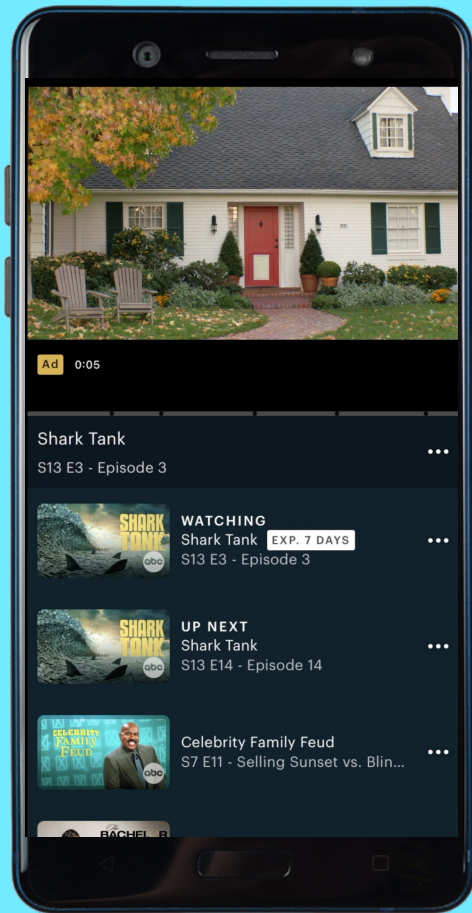
Real time personalized recommendations for individual pet needs

## RIGHT PLACE

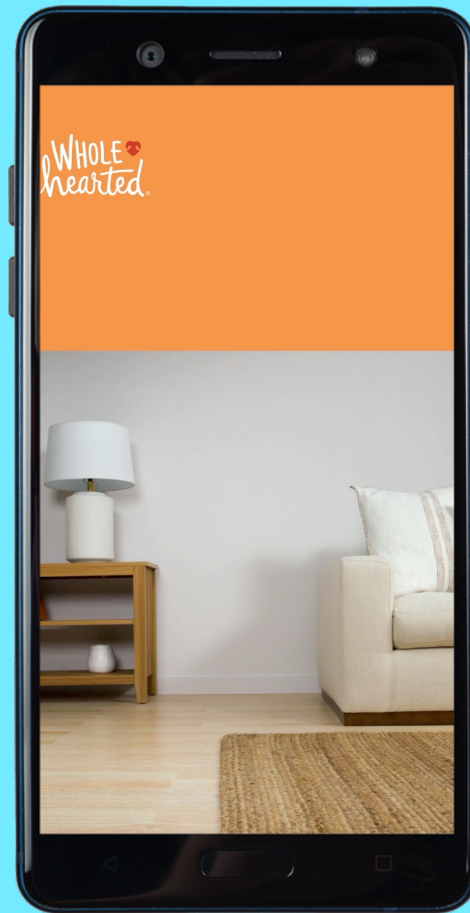
Reaching customers where and how they consume information



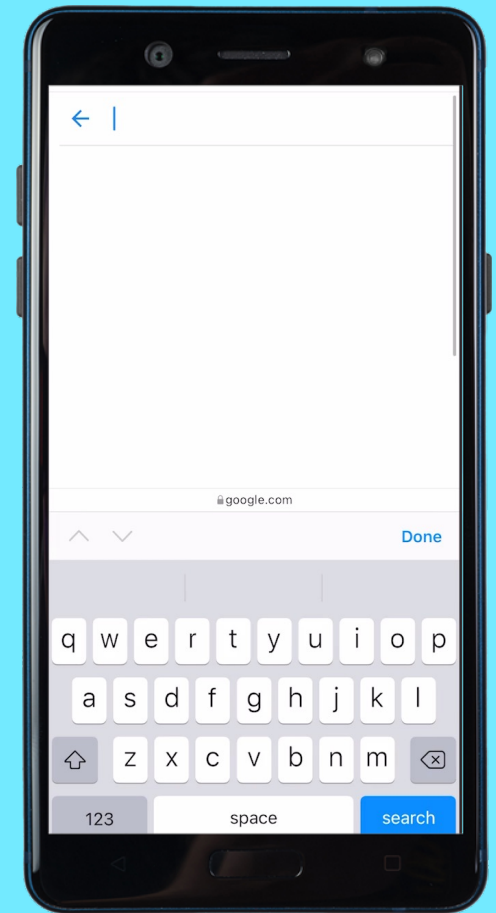
## VIDEO CHANNELS



## SOCIAL NETWORKS



## GOOGLE SEARCH



**98%**  
AWARENESS



**Millions**  
NEW CUSTOMERS  
ADDED IN FY'21

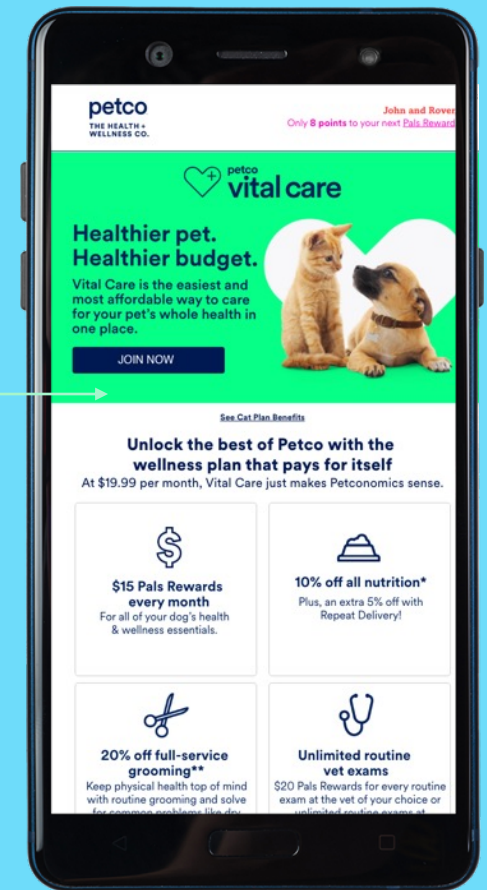
**>24M**  
TOTAL ACTIVE  
CUSTOMERS





LIKELIHOOD TO ENGAGE

- Nutrition 40
- Litter 32
- Pest 45
- Grooming 50
- Training 25
- Vet 20
- **Vital Care 100**





Personalization is Our Future  
**MILLIONS OF  
POSSIBLE  
VARIATIONS**





## RIGHT CUSTOMERS

Targeting the highest value customers

## RIGHT MESSAGE

Solution-focused comprehensive health & wellness

PRECISION  
MARKETING



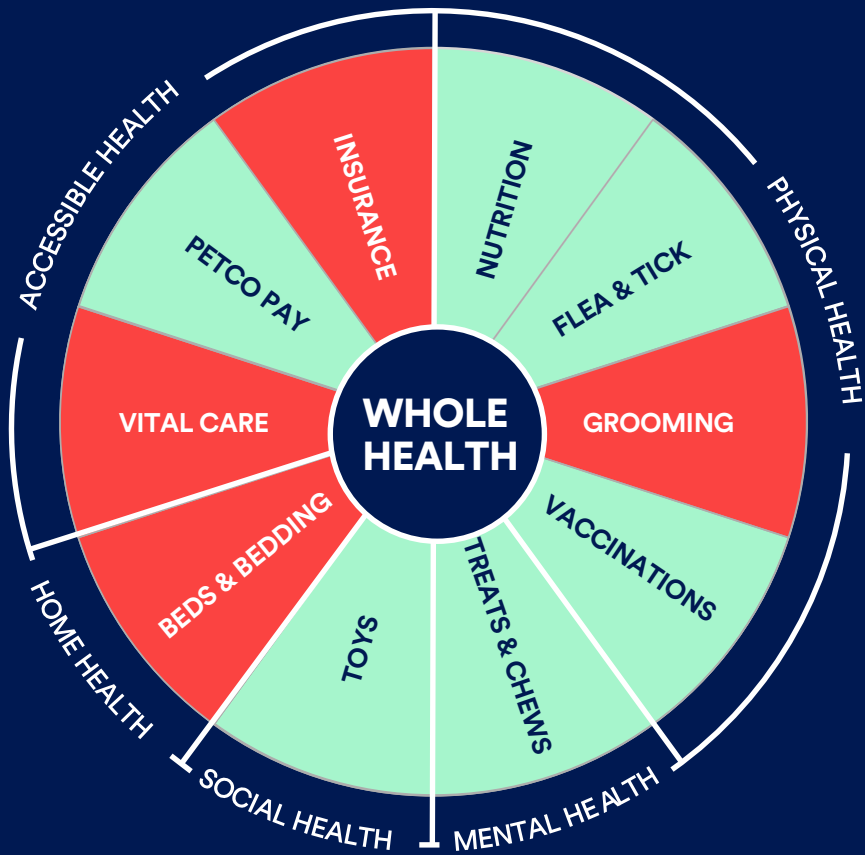
## RIGHT TIME

Real time personalized recommendations for individual pet needs

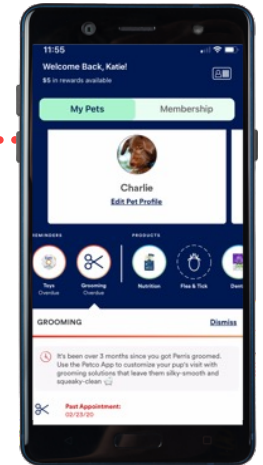
## RIGHT PLACE

Reaching customers where and how they consume information

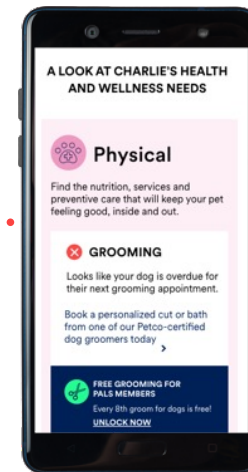
# A New Era of Pet Healthcare with Personalized Care



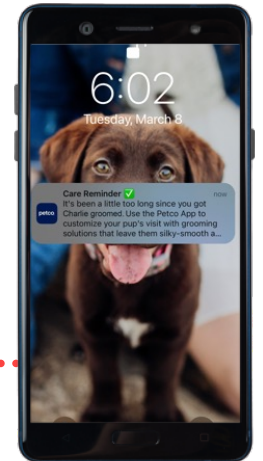
## APP DASHBOARD



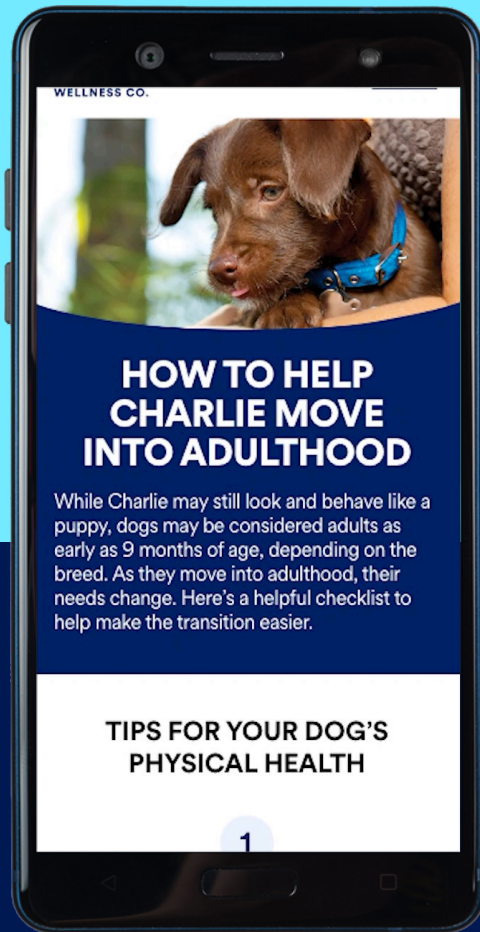
## MONTHLY WHOLE HEALTH REPORT



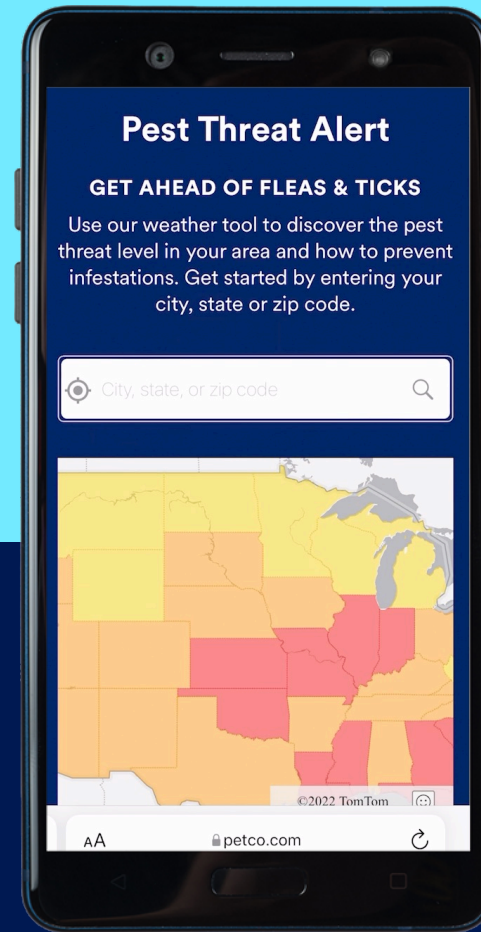
## CARE REMINDERS



## LIFE STAGE TRANSITION



## PEST SEASON



## Capturing Hearts And Minds of Pet Parents

CROSS-CATEGORY CUSTOMERS

+17% YoY



Tyler Gellasch @TylerGellasch · 9h

Petco just emailed me that "Satchel Paige's mental health matters."

I just want members of our society and government to care as much about our fellow humans as [@Petco](#) cares about my dog.





petco<sup>®</sup>

THE HEALTH +  
WELLNESS CO.

# **FINANCIALS**

**&**

# **GUIDANCE**

**BRIAN LAROSE**



**Pet Health &  
Wellness Leader**

**\$5.8B**

FY'21 Revenue

**Executing on  
Our Commitments**

**Gaining Share**

Executing through supply chain dynamics

**Sustainable Runway  
for Growth**

**24.1M**

Total active customers

**18%**

FY'21 Revenue Growth

**22%**

FY'21 Adj. EBITDA Margin growth

**\$275-325M**

Capital expenditures in FY'22

**19%**

FY'21 Comp Sales

**\$20-30M**

FY'21 cost out initiatives

**900**

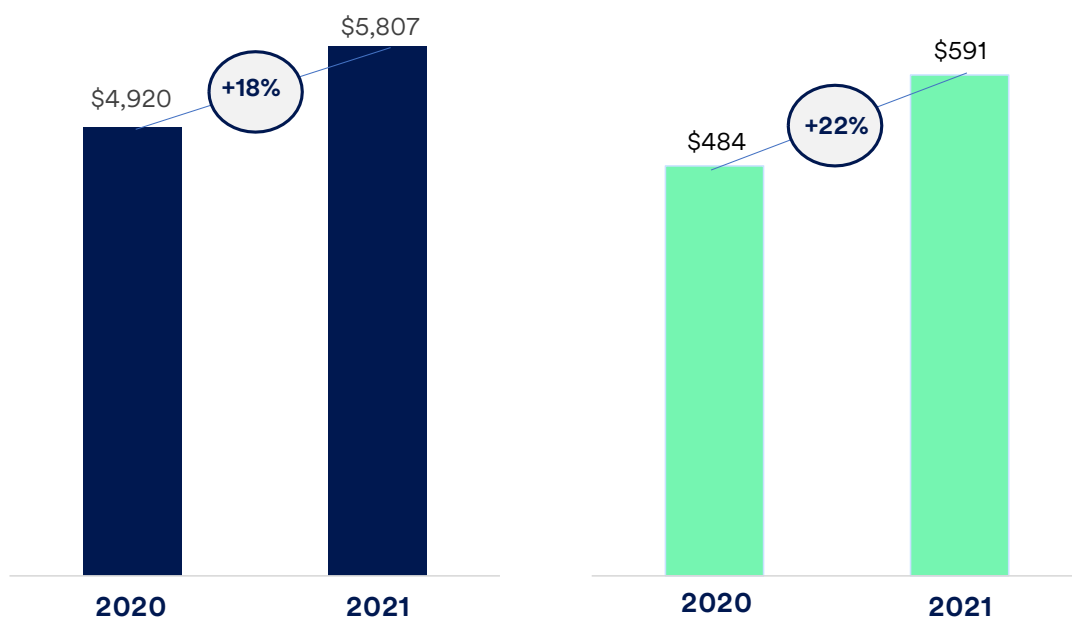
Planned vet hospital buildouts



## FY'21 Revenue Growth Translated to Strong Adjusted EBITDA<sup>1</sup> Performance

Net Revenue (\$M)

Adjusted EBITDA<sup>1</sup> (\$M)



Non-GAAP financial measure; see definition and reconciliation at the end of this Presentation.

## FY 2021 Key Highlights

Net Revenue grew 18% versus the prior year with accelerating trends over the last year

Strong revenue trends and expense leverage drove 22% adjusted EBITDA growth while we meaningfully invested in:

- Enhanced CRM and data analytics capabilities
- Continued scaling of vet hospitals
- Partners through increased hourly pay, higher bonuses and other benefits

## Reaffirming 2022 Guidance

### GUIDANCE

2022	Net Revenue (\$B)	\$6.15B-6.25B
	Adj. EBITDA <sup>1</sup> (\$B)	\$630M-645M
	Adj. EPS <sup>2</sup>	\$0.97-1.00
	Capital Expenditures	\$275-325M



**Strong Top Line Growth and Operating Leverage is Expected to Translate to Strong Bottom Line Growth**

<sup>1</sup> We have not reconciled Adjusted EBITDA and Adjusted EPS outlook 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.

<sup>2</sup> Guidance as of March 8, 2022. All guidance is subject to change without notice depending on a number of factors, including economic conditions, currency rates, the tax and regulatory landscape and other factors that are beyond Petco's control. Petco undertakes no obligation to affirm or update its guidance.

## Financial Priorities to Drive Sustainable Shareholder Returns



**Above  
market top  
line growth**

**Continued  
execution  
driving  
operating  
leverage**

**Strengthening  
balance  
sheet by  
accelerating  
debt  
reduction**

**Disciplined  
capital  
allocation  
with a focus  
on organic  
growth**

## Long-Term Financial Framework

---

Revenue **+ HSD**

---

Adj. EBITDA Growth **Faster than revenue**

---

Adj. Net Income **+ LDD**

---

Net Leverage Ratio **< 1.9x**

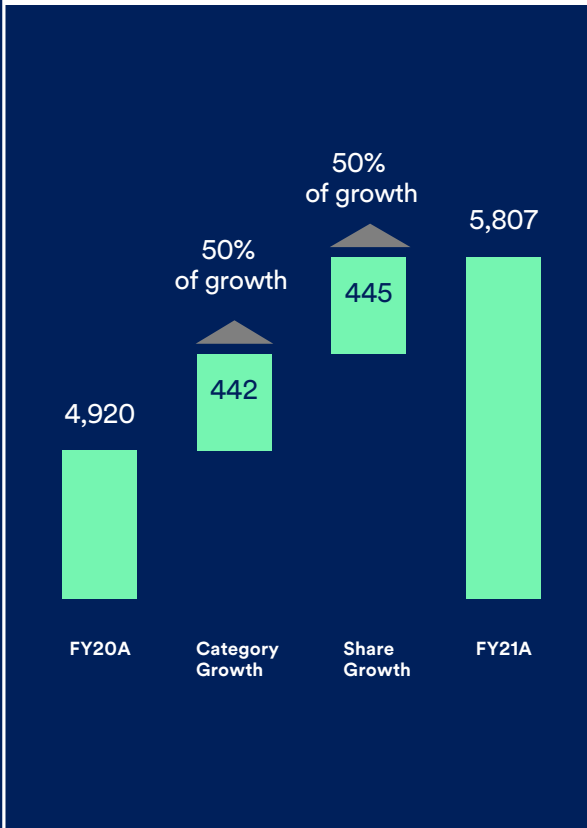
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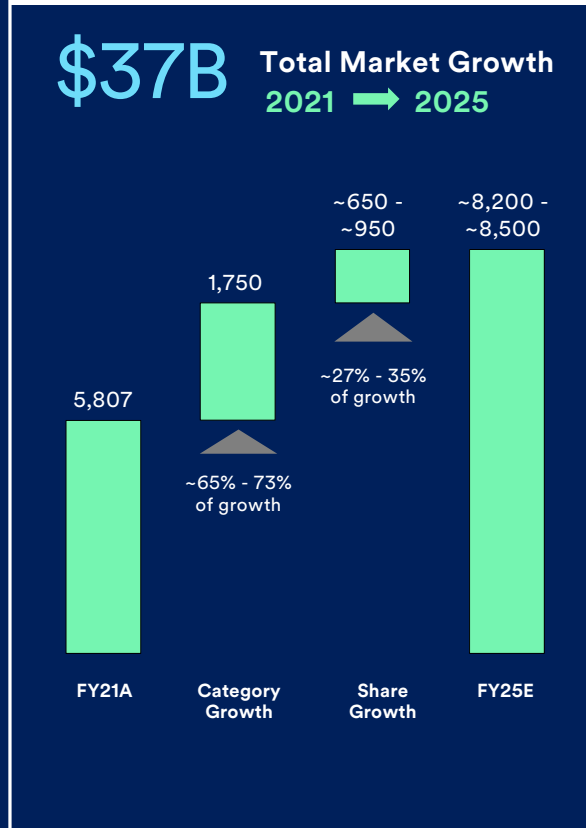


# Proven ability to grow above category and gain share through wallet expansion

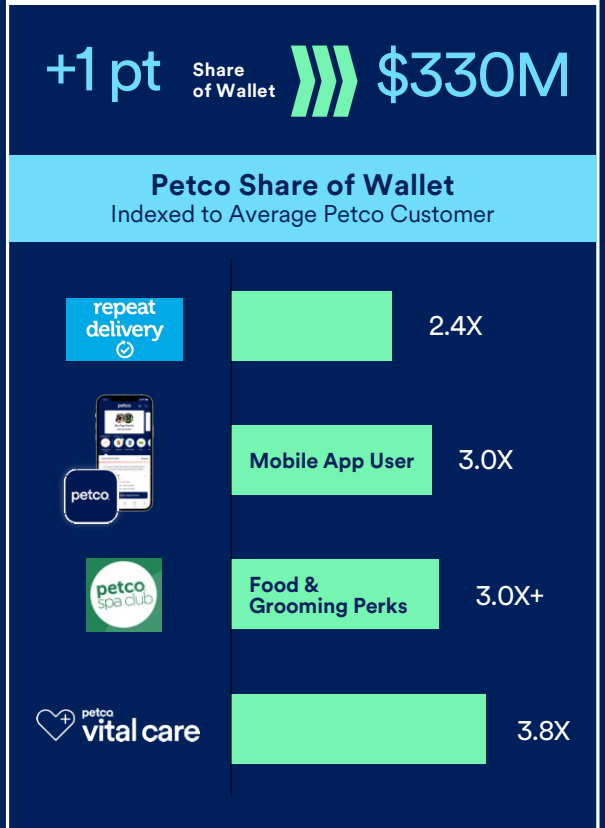
**Petco FY20 – FY21 Growth**  
Revenue \$M



**Petco FY21 – FY25 Growth**  
Revenue \$M



**Customer Share of Wallet Expansion**



\* At current market share ; \*\*At current rate of share growth

# Delivering Above Market Top Line Growth

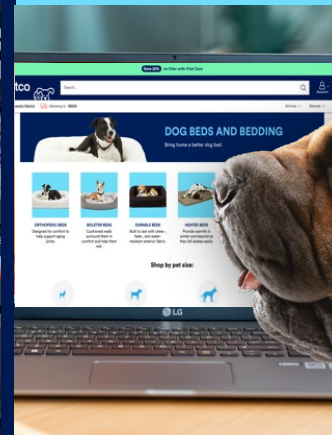
Continued market expansion

Rapidly expand services offering, led by national vet footprint

Deepen competitive moats through differentiated merchandise

Connected data to drive more share of wallet from more customers

Relentless execution



**HIGH SINGLE DIGIT REVENUE GROWTH**



# Driving Operating Leverage and Adj. EBITDA Growth

## Headwinds

- Labor & logistics costs
- Short-term impact from outsized growth in services and e-comm

**FASTER  
THAN  
REVENUE**

## Tailwinds

- Owned Brands expansion
- LTV of Digital, Services and Consumables customers
- PCC productivity
- Margin expansion in Bus:
  - Maturity of vet business
  - Optimized digital fulfillment
  - Enhanced services pricing
- Cost management (\$20-30M)

**Focused on Operational Excellence & Cost Efficiencies**

**PROGRAM  
DRIVEN COST  
DISCIPLINE**

**\$20-30  
MILLION**

**IN ANNUALIZED COST  
EFFICIENCIES**

**END-TO-END APPROACH TO ENABLE SAVINGS FOR RE-INVESTMENT AND LEVERAGE**

- Procurement
- Spend management / effectiveness
- Pricing optimization
- Customer service

- Organization design/location
- Supply chain automation
- COGS and Vendor Partnerships



# Disciplined Capital Allocation with a Focus on Organic Growth

NEAR TERM

2023+

Priority

Capital Priorities

Approach

Capital Priorities

Approach

Organic growth

Reinvest in the core business for organic growth

Debt repayments

Achieve <1.9x leverage ratio by EOY 2023

Inorganic growth

Strategic, tuck-in M&A

Organic growth

Reinvest in the core business for growth organically

Return excess cashflow to shareholders

Share repurchases  
Dividends

Inorganic growth

Strategic, tuck-in M&A

Debt repayments

Maintain <1.9x or less leverage ratio

# Investing Drive Growth

PRIORITY	PROJECTED ANNUAL SPEND	INVESTMENT AREAS
Core	\$	<ul style="list-style-type: none"><li>• Vet</li><li>• Pet Care Centers</li></ul>
Invest	\$	<ul style="list-style-type: none"><li>• Supply Chain</li><li>• Digital</li></ul>
Innovate	\$	<ul style="list-style-type: none"><li>• Rural</li><li>• Vital Care 2.0</li></ul>

**Committed to achieving well above hurdle rate returns**

## Delivering Shareholder Returns Through Sustainable, Profitable, Long-term Growth

Playing in a Large and Attractive Market

Only player with 360-ecosystem offering

With Differentiated Omnichannel Model

Proven Operating Excellence

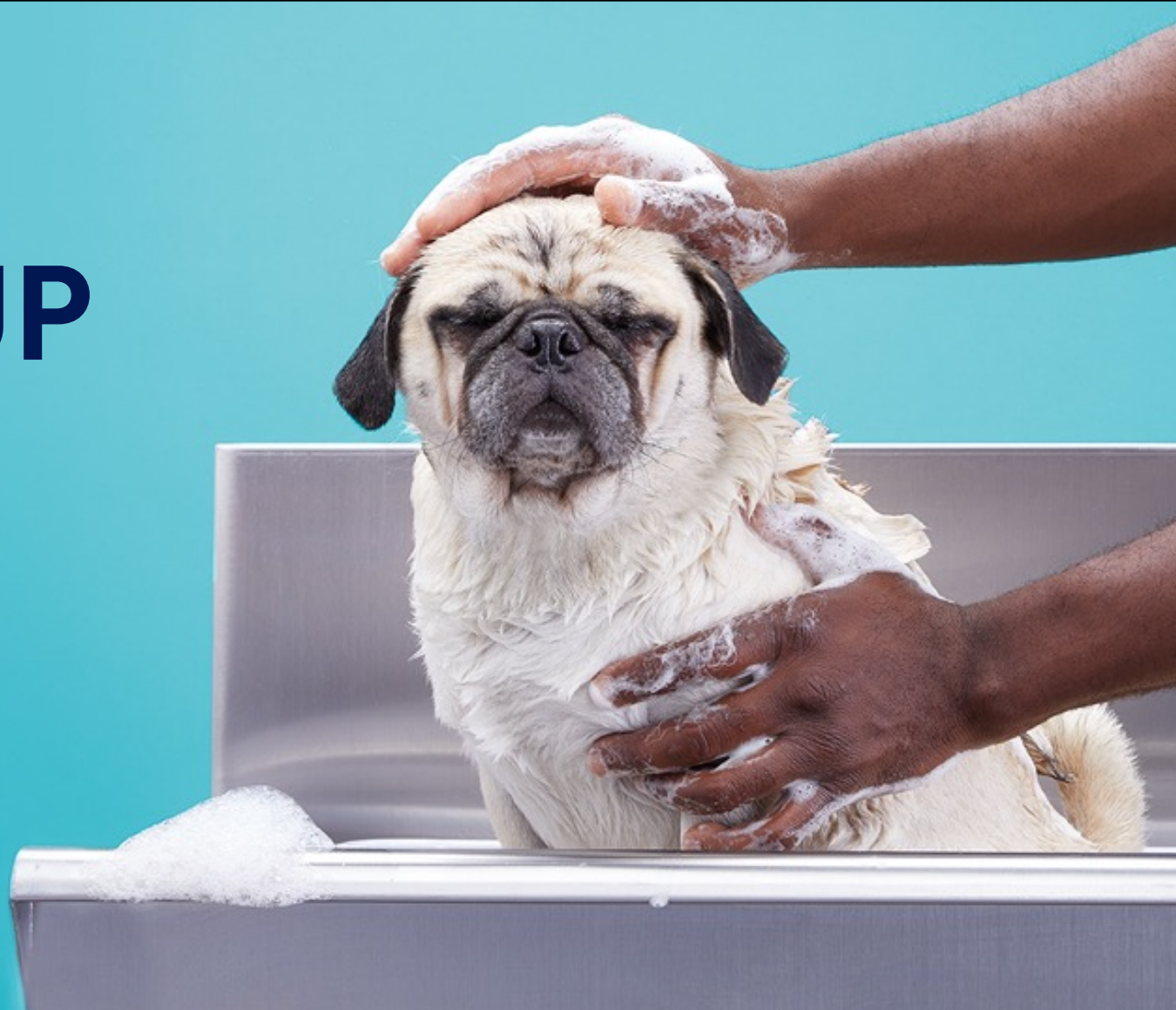
Led by Experienced Leadership Team



**Coming out of COVID  
Stronger—leading  
the future of Retail 3.0**

# WRAP-UP

**RON COUGHLIN**





## Petco Is Positioned For Sustained, Profitable Growth

- 1 \$119B Category Projected To Grow 7% With Strong Resilience
- 2 Only Fully-Integrated Pet Ecosystem: Products, Services, Vets, Membership
- 3 Portfolio Shift to Services With One of the Fastest Veterinary Hospital Buildout
- 4 Owned and Exclusive Merchandise That Can't Be Found Other Places
- 5 Rapidly Scaling Omnichannel Platform Delivering Seamless Experience
- 6 Competitive Advantages Across Fulfillment, Marketing, Data and People

**+HSD**  
Revenue  
Growth

Adj. EBITDA  
Growth Faster  
Than Revenue

**+LDD**  
Adj. EPS  
Growth

petco<sup>®</sup> PURPOSE-DRIVEN  
PERFORMANCE



petco  
**love**  
A NONPROFIT CHANGING LIVES<sup>®</sup>











SPECIALTY HOSPITAL  
CANCER SURVIVOR

Certificate of Completion  
**Radiation Treatment**

Awarded To

**Yummy**

Awarded On 06/14/2019

At Veterinary Special Hospital

Blaise Burke, DVM  
Name

Blaise Burke  
Name





**THANK**  
YOU





# NON-GAAP MEASURES AND OTHER DEFINITIONS



## Non-GAAP Measures and Other Definitions

The following information provides definitions and reconciliations of the non-GAAP financial measures presented in this Presentation 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 Presentation 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 Presentation. The non-GAAP financial measures in this Presentation may differ from similarly-titled measures used by other companies.

**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 (loss) 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 10-K filed on April 5, 2021 with the SEC for additional information on Adjusted EBITDA. The tables on pages 2 of this Presentation reflect the calculation of Adjusted EBITDA for the thirteen and fifty-two week period ended January 29, 2022 compared to the prior year thirteen and fifty-two week period ended January 30, 2021.

**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 (loss) 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. The tables on page 3 of this Presentation reflect the calculation of Adjusted Net Income and Adjusted EPS for the thirteen and fifty-two weeks ended January 29, 2022 compared to the thirteen and fifty-two weeks ended January 30, 2021.

**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 on page 4 of this Presentation reflects the calculation of free cash flow for the thirteen and fifty-two weeks ended January 29, 2022 compared to the thirteen and fifty-two weeks ended January 30, 2021.

**Net Debt:** Net Debt is a non-GAAP financial measure that is calculated as the sum of current and non-current debt, less cash and cash equivalents. Management considers this adjustment useful because it reduces the volatility of total debt caused by fluctuations between cash paid against the company's revolving credit facility and cash held on hand in cash and cash equivalents. The table on page 5 reflects the calculation of Net Debt as of the period ended January 29, 2022 compared to the prior quarter ended January 30, 2021.

**Total Active Customers:** Total Active Customers is the total number of customers (including Pals members and eComm customers) trackable by certain personal information that have made at least one transaction with us during the prior 12-month period. It reflects the inflow of new customers as well as the outflow of customers who have not made a transaction during the prior 12-month period. Net New Customers is the change in Total Active Customers between this quarter end and the prior quarter end. Previously, Total Active Customers and Net New Customers included Pals members whose transactions were tracked by member numbers only as opposed to other personal information. Currently, only Pals members accounts with certain personal information are counted.

## Non-GAAP Measures: Adjusted EBITDA\*

(dollars in thousands) Reconciliation of Net Income (Loss) Attributable to Class A and B-1 Common Stockholders to Adjusted EBITDA	13 Weeks Ended		52 Weeks Ended	
	January 29, 2022	January 30, 2021	January 29, 2022	January 30, 2021
<b>Net income (loss) attributable to Class A and B-1 common stockholders</b>	<b>\$ 28,994</b>	<b>\$ (6,159)</b>	<b>\$ 164,417</b>	<b>\$ (26,483)</b>
Add (deduct):				
Interest expense, net	18,884	49,666	77,335	218,430
Income tax expense (benefit)	9,689	10,200	53,473	(3,337)
Depreciation and amortization	46,794	45,875	172,431	174,836
Income from equity method investees	(3,393)	(3,530)	(10,883)	(6,482)
Loss on debt extinguishment and modification	—	17,549	20,838	17,549
Asset impairments and write offs	5,000	7,955	10,918	15,606
Equity-based compensation	12,774	5,451	49,265	12,915
Other non-operating loss (income)	30,437	—	(34,497)	—
Mexico joint venture EBITDA (1)	8,314	6,655	26,837	19,074
Store pre-opening expenses	3,026	2,218	14,765	9,228
Store closing expenses	1,699	1,835	5,028	7,782
Non-cash occupancy-related costs (2)	2,550	2,151	8,114	19,240
Non-recurring costs (3)	7,382	8,733	33,437	25,990
<b>Adjusted EBITDA</b>	<b>\$ 172,150</b>	<b>\$ 148,599</b>	<b>\$ 591,478</b>	<b>\$ 484,348</b>
Net sales	\$ 1,514,357	\$ 1,337,713	\$ 5,807,149	\$ 4,920,202
Net margin (4)	1.9%	(0.5%)	2.8%	(0.5%)
Adjusted EBITDA Margin	11.4%	11.1%	10.2%	9.8%

## Non-GAAP Measures: Adjusted Net Income and Adjusted EPS\*

(in thousands, except per share amounts)

Reconciliation of Diluted EPS to Adjusted EPS	13 Weeks Ended				52 Weeks Ended			
	January 29, 2022		January 30, 2021		January 29, 2022		January 30, 2021	
	Amount	Per share	Amount	Per share	Amount	Per share	Amount	Per share
<b>Net income (loss) attributable to common stockholders / diluted EPS</b>	<b>\$ 28,994</b>	<b>\$ 0.11</b>	<b>\$ (6,159)</b>	<b>\$ (0.03)</b>	<b>\$ 164,417</b>	<b>\$ 0.62</b>	<b>\$ (26,483)</b>	<b>\$ (0.13)</b>
Add (deduct):								
Income tax expense	9,689	0.04	10,200	0.05	53,473	0.20	(3,337)	(0.02)
Loss on debt extinguishment and modification	—	—	17,549	0.08	20,838	0	17,549	0.08
Asset impairments and write offs	5,000	0.02	7,955	0.03	10,918	0.04	15,606	0.07
Equity-based compensation	12,774	0.05	5,451	0.03	49,265	0.19	12,915	0.06
Other non-operating loss	30,437	0.11	—	—	(34,497)	(0.13)	—	—
Store pre-opening expenses	3,026	0.01	2,218	0.01	14,765	0.06	9,228	0.05
Store closing expenses	1,699	0.01	1,835	0.01	5,028	0.02	7,782	0.04
Non-cash occupancy-related costs (2)	2,550	0.01	2,151	0.01	8,114	0.03	19,240	0.09
Non-recurring costs (3)	7,382	0.02	8,733	0.04	33,437	0.12	25,990	0.13
Adjusted pre-tax income / diluted earnings per share	\$ 101,551	\$ 0.38	\$ 49,933	\$ 0.23	\$ 325,758	\$ 1.23	\$ 78,490	\$ 0.37
Income tax expense at 26% normalized tax rate	26,403	0.10	12,983	0.06	84,697	0.32	20,407	0.09
<b>Adjusted Net Income / Adjusted EPS</b>	<b>\$ 75,148</b>	<b>\$ 0.28</b>	<b>\$ 36,950</b>	<b>\$ 0.17</b>	<b>\$ 241,061</b>	<b>\$ 0.91</b>	<b>\$ 58,083</b>	<b>\$ 0.28</b>



## Non-GAAP Measures: Free Cash Flow

(in thousands)

	13 Weeks Ended		52 Weeks Ended	
	January 29, 2022	January 30, 2021	January 29, 2022	January 30, 2021
Net cash provided by operating activities	\$ 69,771	\$ 67,135	\$ 358,215	\$ 268,615
Cash paid for fixed assets	(74,780)	(63,271)	(239,110)	(159,560)
<b>Free Cash Flow</b>	<b>\$ (5,009)</b>	<b>\$ 3,864</b>	<b>\$ 119,105</b>	<b>\$ 109,055</b>

## Non-GAAP Measures: Net Debt

(dollars in thousands)	January 29, 2022	January 30, 2021
Total debt:		
Senior secured credit facilities, net, including current portion	\$ 1,657,390	\$ 1,646,281
Finance leases, including current portion	29,816	13,639
<b>Total debt</b>	<b>1,687,206</b>	<b>1,659,920</b>
Less: cash and cash equivalents	(211,602)	(111,402)
<b>Net Debt</b>	<b>\$ 1,475,604</b>	<b>\$ 1,548,518</b>
Adjusted EBITDA (TTM)	\$ 591,478	\$ 484,348
Net Debt / Adjusted EBITDA ratio	2.5x	3.2x

**petco**<sup>®</sup>  
**THE HEALTH +  
WELLNESS CO.**