petco
THE HEALTH + WELLNESS CO.

PETCO FOURTH QUARTER AND FY2023 EARNINGS CALL

March 13, 2024

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, 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 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 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 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 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.

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 Net Income, 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.

Fourth Quarter

KEY TAKEAWAYS

- Net revenue of $1.7 billion, +6% y/y[1] and comp sales (1%) y/y
- Continued Services and Other (+17% sales y/y[1]) and Consumables (+9% sales y/y[1]) growth supporting top line
- Early momentum in operational reset leading to positive customer adds
- Remain on track to deliver targeted $150 million in run rate savings by end of fiscal 2025 with $40 million in year one

(1) On an as-reported basis (14-week Q4'23 vs. 13-week Q4'22)

FOURTH QUARTER PROGRESS AGAINST CORE STRATEGY

SCALING SERVICES

- Added 365 veterinarians to Petco ecosystem, up 9% y/y[1]
- Number of pets seen in vet increased 26% y/y[1]

OMNICHANNEL

- Digital sales up 9% y/y[1]
- BOPUS revenue up 34% y/y[1]

Focused on driving long-term profitable growth

MERCHANDISE DIFFERENTIATION

- Consumables revenue growth of 9% y/y[1]
- Fresh Frozen revenue growth of 20% y/y[1]

LOYALTY & MEMBERSHIP

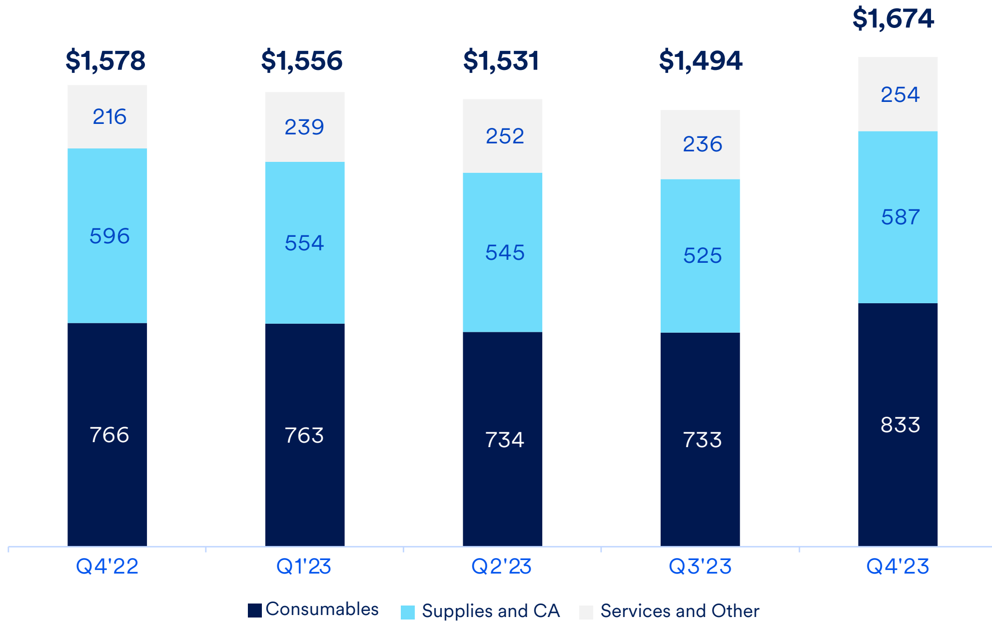
- Vital Care Premier members, now totaling over 720,000, remain our most engaged and valuable customers
- >$100 million ann. recurring revenues from Vital Care Premier; >$1 billion total ann. recurring revenue[2]

petco

(1) On an as-reported basis (14-week Q4'23 vs. 13-week Q4'22)
(2) Please see the Recurring Revenue footnote at the end of this Presentation.

Q4 REVENUE PERFORMANCE

NET REVENUE BY CATEGORY
($ in millions)



	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23
Revenue growth	4%	5%	3%	(0%)	6%[1]
1-year comp growth	5%	5%	3%	(0%)	(1%)
2-year comp growth	19%	10%	7%	4%	4%

Key Revenue Highlights

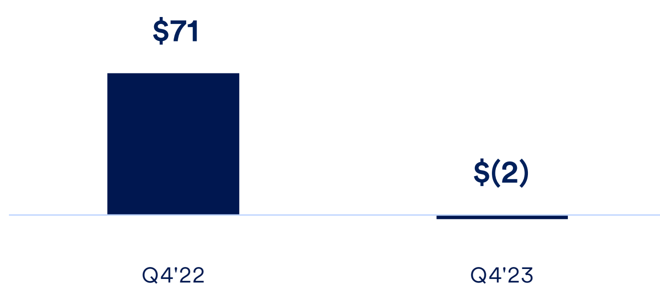
- Top-line performance up 6% y/y[1]
- Comp sales (1%) driven by absence of discretionary recovery and lapping a more inflationary environment

(1) On an as-reported basis (14-week Q4'23 vs. 13-week Q4'22)

ONGOING FOCUS ON BALANCE SHEET

Capital Expenditures
(Down 25.6% year-over-year[1])
($ in millions)

Free Cash Flow[2]
(Down $73 year-over-year[1])
($ in millions)



	2023	Incr / (Decr)	2022
Net Debt[2]	$1.5B	0%	$1.5B
Liquidity[3]	$572M	(11%)	$646M

(1) On an as-reported basis (14-week Q4'23 vs. 13-week Q4'22)
(2) Non-GAAP financial measure; see definition and reconciliation at the end of this Presentation.
(3) Sum of cash and cash equivalents and availability under revolver.

Key Cash Flow & Balance Sheet Highlights

- Q4 Free Cash Flow[2] of $(2)M versus $71M a year ago
- FY 2023 Free Cash Flow[2] of $(10M) versus $68M a year ago
- $75M of debt paid down in FY 2023
- Liquidity[3] remains strong at $572M

petco

PETCO'S PURPOSE IN ACTION

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

Partners and Community

Hosted students from the Barrio Logan College Institute and Preuss School UC San Diego for a career day at our National Support center, as part of our ongoing support for local students from minority backgrounds

Celebrated Diwali in our support centers with our Pan Asian American Resource Group. We also ran blood drives with the Red Cross and toy drives with Toys for Tots supported by our Military and Veterans Partner Resource Group.

Petco Love

Saved over 112,000 pet lives in Q4 and have now reunited over 34,000 pets to date through Petco Love Lost.

Delivered over 2.2 million free vaccines since the start of 2021 through the Vaccinated & Loved Initiative in partnership with Merck.

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 U.S. 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 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 filed on March 28, 2023 with the SEC for additional information on Adjusted EBITDA.

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.

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.

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.

Recurring Revenue: Recurring customer revenue includes enterprise sales for customers who participated in any of our recurring revenue programs during the preceding twelve months, which include: repeat delivery; Vital Care Premier; Pupbox; and insurance.

Note: Management generally rounds amounts to millions but calculates all percentages and per-share data from underlying whole-dollar amounts. As a result, certain amounts may not foot, cross-foot, or recalculate based on reported numbers due to rounding.

Non-GAAP Measures: Adjusted EBITDA*

(dollars in thousands) Reconciliation of Net (Loss) Income Attributable to Class A and B-1 Common Stockholders to Adjusted EBITDA	14 Weeks Ended February 3, 2024	13 Weeks Ended January 28, 2023	53 Weeks Ended February 3, 2024	52 Weeks Ended January 28, 2023
Net (loss) income attributable to Class A and B-1 common stockholders	**$ (22,575)**	**$ 32,732**	**$ (1,280,210)**	**$ 90,801**
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
Adjusted EBITDA	**$ 105,340**	**$ 157,889**	**$ 401,103**	**$ 530,769**
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%

petco

* Please see slide at the end of this Presentation for related footnotes.

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

(in thousands, except per share amounts) Reconciliation of Diluted EPS to Adjusted EPS	14 Weeks Ended February 3, 2024		13 Weeks Ended January 28, 2023	
	Amount	Per share	Amount	Per share
Net (loss) income attributable to common stockholders / diluted EPS	**$ (22,575)**	**$ (0.08)**	**$ 32,732**	**$ 0.12**
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
Adjusted Net Income / Adjusted EPS	**$ 6,080**	**$ 0.02**	**$ 52,846**	**$ 0.20**

(in thousands, except per share amounts) Reconciliation of Diluted EPS to Adjusted EPS	53 Weeks Ended February 3, 2024		52 Weeks Ended January 28, 2023	
	Amount	Per share	Amount	Per share
Net (loss) income attributable to common stockholders / diluted EPS	**$(1,280,210)**	**$ (4.78)**	**$ 90,801**	**$ 0.34**
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
Adjusted Net Income / Adjusted EPS	**$ 22,776**	**$ 0.09**	**$ 162,594**	**$ 0.61**

petco

* Please see slide at the end of this Presentation for related footnotes.

Non-GAAP Measures: Free Cash Flow

(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
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)
Free Cash Flow	**$ (2,043)**	**$ 70,594**	**$ (9,879)**	**$ 67,983**

Non-GAAP Measures: Net Debt

(dollars in thousands)	February 3, 2024	January 28, 2023
Total debt:		
Senior secured credit facilities, net, including current portion	$ 1,576,223	$ 1,645,331
Finance leases, including current portion	24,172	29,435
Total debt	1,600,395	1,674,766
Less: cash and cash equivalents	(125,428)	(201,901)
Net Debt	**$ 1,474,967**	**$ 1,472,865**
Adjusted EBITDA (TTM)	$ 401,103	$ 530,769
Net Debt / Adjusted EBITDA ratio	3.7x	2.8x

Net Sales by Category

	14 Weeks Ended February 3, 2024	13 Weeks Ended January 28, 2023	13 Weeks Ended January 29, 2022	13 Weeks Ended January 30, 2021	% Change (1 yr)	% Change (2 yr)	% Change (3 yr)
Consumables	$ 833,440	$ 766,092	$ 683,552	$ 575,484	9%	21%	40%
Supplies and companion animals	587,273	595,764	646,082	620,779	(1%)	(9%)	(5%)
Services and other	253,763	216,103	184,723	141,450	17%	34%	65%
Net sales	**$ 1,674,476**	**$1,577,959**	**$ 1,514,357**	**$ 1,337,713**	**6%**	**10%**	**24%**

	53 Weeks Ended February 3, 2024	52 Weeks Ended January 28, 2023	52 Weeks Ended January 29, 2022	52 Weeks Ended January 30, 2021	% Change (1 yr)	% Change (2 yr)	% Change (3 yr)
Consumables	$ 3,063,845	$ 2,859,602	$ 2,533,755	$ 2,123,499	7%	20%	39%
Supplies and companion animals	2,209,865	2,370,913	2,603,104	2,328,663	(7%)	(16%)	(4%)
Services and other	981,574	805,452	670,290	468,040	22%	42%	85%
Net sales	**$ 6,255,284**	**$6,035,967**	**$ 5,807,149**	**$ 4,920,202**	**4%**	**8%**	**26%**

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. Refer to earnings releases, quarterly and annual reports posted to our website for reconciliations of Mexico joint venture net income to Mexico joint venture EBITDA.

(2) Acquisition/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.

THANK YOU

petco
THE HEALTH +
WELLNESS CO.