As filed with the Securities and Exchange Commission on January 6, 2021

Registration No. 333-251107

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 2 to
FORM S-1
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

PET Acquisition LLC

to be converted as described herein into a corporation named

Petco Health and Wellness Company, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**5990**	**81-1005932**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

10850 Via Frontera
San Diego, California 92127
(858) 453-7845
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Ronald Coughlin, Jr.
Chief Executive Officer
PET Acquisition LLC
10850 Via Frontera
San Diego, California 92127
(858) 453-7845
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Andrew L. Fabens **Sean P. Griffiths** **Gibson, Dunn & Crutcher LLP** **200 Park Avenue** **New York, New York 10166** **(212) 351-4000**	**Michael Nuzzo** **Ilene Eskenazi** **PET Acquisition LLC** **10850 Via Frontera** **San Diego, California 92127** **(858) 453-7845**	**Michael Benjamin** **Brian D. Paulson** **Tad J. Freese** **Latham & Watkins LLP** **885 Third Avenue** **New York, New York 10022** **(212) 906-1200**

Approximate date of commencement of proposed sale to the public: **As soon as practicable after this Registration Statement becomes effective.**

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
		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 7(a)(2)(B) of the Securities Act. ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Shares to be Registered(1)	Proposed Maximum Offering Price per Share	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Class A Common Stock, par value $0.001 per share	55,200,000	$17.00	$938,400,000	$102,379.44

(1) Includes 7,200,000 shares of Class A common stock issuable upon the exercise of the underwriters' option to purchase additional shares.
(2) Estimated solely for the purpose of calculating the amount of registration fee in accordance with Rule 457(a) under the Securities Act of 1933, as amended. Includes the aggregate offering price of additional shares that the underwriters have the option to purchase.
(3) Of this amount, $10,910 has previously been paid in connection with the prior filing of this Registration Statement.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

EXPLANATORY NOTE

PET Acquisition LLC, the registrant whose name appears on the cover of this registration statement, is a Delaware limited liability company. Prior to the effectiveness of this registration statement, PET Acquisition LLC will convert into a Delaware corporation pursuant to a statutory conversion and change its name to Petco Health and Wellness Company, Inc. as described in the section captioned "Recapitalization and Corporate Conversion" of the accompanying prospectus. As a result of the Corporate Conversion, the members of PET Acquisition LLC will become holders of the common stock of Petco Health and Wellness Company, Inc. Except as disclosed in the prospectus, the historical consolidated financial statements and selected historical consolidated financial data and other financial information included in this registration statement are those of PET Acquisition LLC, and do not give effect to the Corporate Conversion. Shares of the Class A common stock of Petco Health and Wellness Company, Inc. are being offered by the prospectus included in this registration statement.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JANUARY 6, 2021

Preliminary Prospectus

48,000,000 Shares

petco THE HEALTH + WELLNESS CO.

Class A Common Stock

This is the initial public offering of the Class A common stock, par value $0.001 per share, of Petco Health and Wellness Company, Inc. We are offering 48,000,000 shares of our Class A common stock.

Currently, no public market exists for our Class A common stock. We expect the initial public offering price will be between $14.00 and $17.00 per share. We have applied to list our Class A common stock on the Nasdaq Global Select Market ("Nasdaq") under the symbol "WOOF."

After giving effect to the Corporate Conversion (as defined herein) and the completion of this offering, we will have three classes of common stock: Class A common stock; Class B-1 common stock; and Class B-2 common stock. The rights of the holders of our Class A common stock and our Class B-1 common stock are identical in all respects, except that our Class B-1 common stock does not vote on the election or removal of our directors. The rights of the holders of our Class B-2 common stock differ from the rights of the holders of our Class A common stock and Class B-1 common stock in that holders of our Class B-2 common stock only possess the right to vote on the election or removal of our directors. Following the completion of this offering, we will be a "controlled company" as defined under the corporate governance rules of Nasdaq because our Sponsors (as defined herein) will continue to collectively control approximately 81.3% of the voting power of our common stock with respect to director elections (or approximately 79.1% of the voting power with respect to director elections if the underwriters exercise in full their option to purchase additional shares of our Class A common stock). Please read "Management—Status as a Controlled Company."

INVESTING IN OUR CLASS A COMMON STOCK INVOLVES RISKS, INCLUDING THOSE DESCRIBED IN THE "RISK FACTORS" SECTION BEGINNING ON PAGE 21 OF THIS PROSPECTUS.

	Per Share	Total
Initial public offering price	$	$
Underwriting discounts and commissions(1)	$	$
Proceeds, before expenses, to us	$	$

(1) Please read "Underwriting (Conflicts of Interest)" for a description of all underwriting compensation payable in connection with this offering.

At our request, BofA Securities, Inc., a participating underwriter, has reserved for sale, at the initial public offering price, up to 5% of the shares offered by this prospectus for sale to certain of our directors, officers, employees, business associates, and related persons. If these persons purchase reserved shares it will reduce the number of shares available for sale to the general public. Any reserved shares that are not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus. For more information regarding the directed share program, please read "Underwriting (Conflicts of Interest)—Directed Share Program."

The underwriters have a 30-day option to purchase up to an additional 7,200,000 shares of our Class A common stock at the public offering price, less the underwriting discounts.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Delivery of our Class A common stock is expected to be made on or about , 2021 through the book-entry facilities of The Depository Trust Company.

Goldman Sachs & Co. LLC **BofA Securities**

Citigroup **Evercore ISI** **Credit Suisse** **UBS Investment Bank** **Wells Fargo Securities**

Baird **Guggenheim Securities**

AmeriVet Securities **C.L. King & Associates** **R. Seelaus & Co., LLC** **Ramirez & Co., Inc.** **Siebert Williams Shank**

Prospectus dated , 2021

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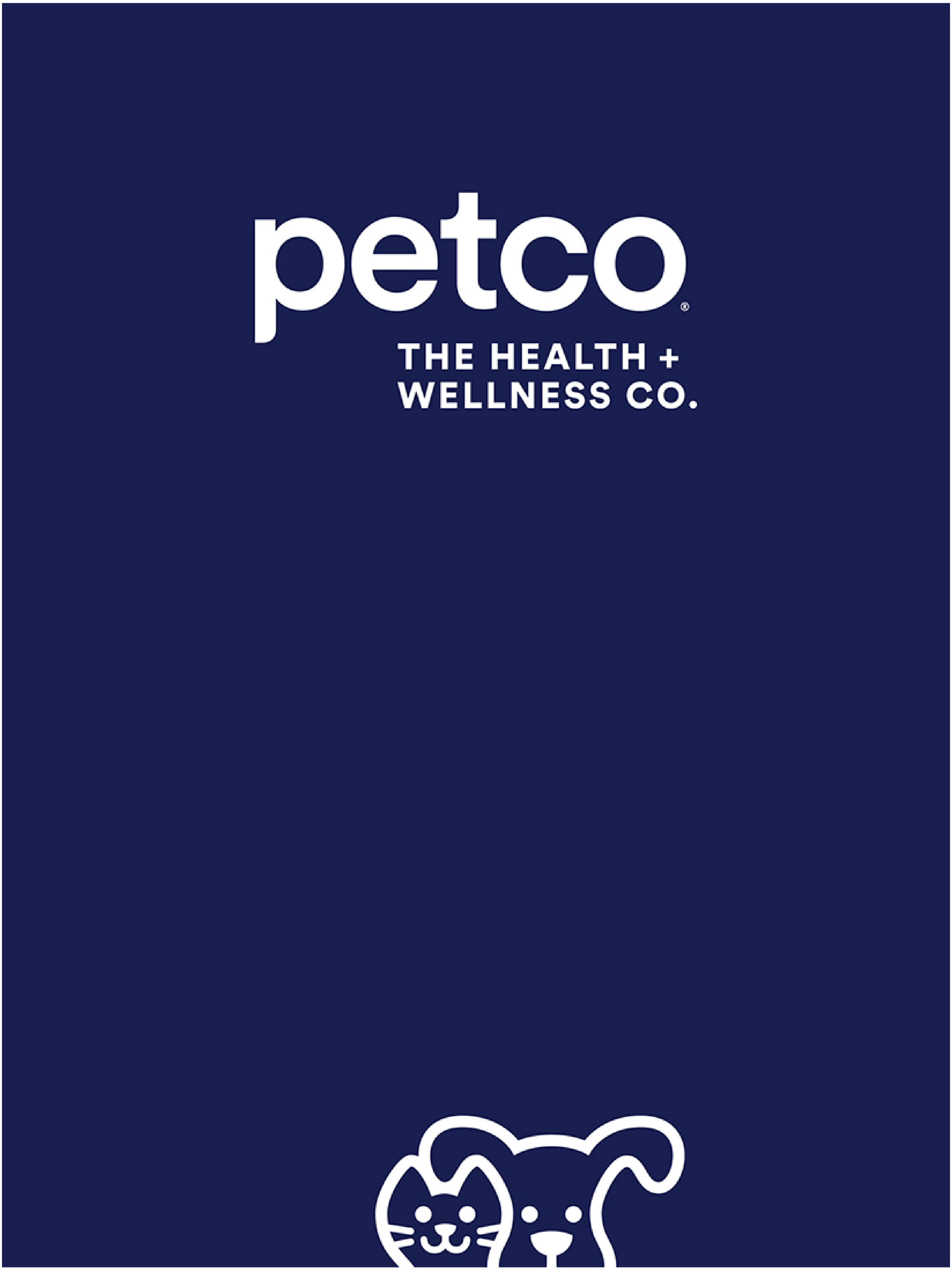

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We provide a comprehensive pet care ecosystem focused on the pet's entire well-being.
VETS
TRAINING & GROOMING
SERVICES
MEMBERSHIP & INSURANCE
SUBSCRIPTION
MOBILE
DIGITAL
E-COMMERCE
PET CARE CENTERS
~1,500 LOCATIONS
SUPPLIES
EXCLUSIVE MERCHANDISE
PREMIUM FOOD
OWNED BRANDS
Whole Health
50% of pet parents prefer a one-stop experience[1]
(1) Lippincott Survey (n=2.7k)

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We have not, and the underwriters have not, authorized any other person to provide you with information different from that contained in this prospectus and any free writing prospectus authorized by us. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where an offer or sale is not permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our Class A common stock. Our business, financial condition, results of operations, and prospects may have changed since that date.

This prospectus contains forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond our control. Please read "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements."

NOTE ON THE PRESENTATION

Unless otherwise indicated, (i) references in this prospectus to “Petco,” “our company,” “we,” “our,” and “us,” or like terms, refer, prior to the Corporate Conversion discussed elsewhere in this prospectus, to PET Acquisition LLC and our subsidiaries, and after the Corporate Conversion, to Petco Health and Wellness Company, Inc. and its subsidiaries taken as a whole, and (ii) “Petco Animal Supplies” refers to Petco Animal Supplies, Inc., our wholly owned subsidiary. Unless the context otherwise requires, references to “common stock” refer to our Class A common stock, our Class B-1 common stock and our Class B-2 common stock, collectively. References to our certificate of incorporation and bylaws are to our second amended and restated certificate of incorporation and our second amended and restated bylaws, respectively, each of which will become effective upon completion of this offering.

We report on the basis of a 52- or 53-week fiscal year, which ends on the Saturday closest to January 31. References to “fiscal year” mean the year in which that fiscal year began. For example, references to Fiscal 2019 refer to the fiscal year beginning February 3, 2019 and ending February 1, 2020. Please read “Selected Historical Consolidated Financial Data” for more information regarding the presentation of our fiscal years.

TRADEMARKS AND SERVICE MARKS

We own or have rights to various trademarks, service marks, and trade names that we use in connection with the operation of our business. The following trademarks are registered or pending registration: Bond & Co., Good 2 Go, Good Lovin’, Harmony, Imagitarium, Leaps & Bounds, Pals Rewards, Petco, PetCoach, PupBox, Reddy, Ruff & Mews, So Phresh, Vetco, Well & Good, WholeHearted, and You & Me. This prospectus may also contain trademarks, service marks, and trade names of third parties, which are the property of their respective owners. Our use or display of a third party’s trademarks, service marks, trade names, or products in this prospectus is not intended to, and does not imply, a relationship with, or endorsement or sponsorship by, us. Solely for convenience, the trademarks, service marks, and trade names referred to in this prospectus may appear without the ®, TM, or SM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks, service marks, and trade names.

INDUSTRY AND MARKET DATA

This prospectus includes market data and forecasts with respect to the pet care industry. Although we are responsible for all of the disclosure contained in this prospectus, in some cases we rely on and refer to market data and certain industry forecasts that were obtained from third-party surveys, market research, consultant surveys, publicly available information and industry publications and surveys that we believe to be reliable. Unless otherwise indicated, all market and industry data and other statistical information and forecasts contained in this prospectus are based on independent industry publications, government publications, reports by market research firms or other published independent sources, such as the American Pet Products Association (study entitled “Pet Industry Market Size and Ownership Statistics” published in August 2015), Bureau of Economic Analysis, Lippincott, Nielsen, and Packaged Facts, and other externally obtained data that we believe to be reliable. Some market and industry data, and statistical information and forecasts, are also based on management’s estimates, which are derived from our review of internal surveys as well as the independent sources referred to above. Any such market data, information or forecast may prove to be inaccurate because of the method by which we obtain it or because it cannot always be verified with complete certainty given the limits on the availability and reliability of raw data, the voluntary nature of the data gathering process, and other limitations and uncertainties, including those discussed under the caption “Risk Factors.” As a result, although we believe that these sources are reliable, we have not independently verified the information.

A LETTER FROM PETCO CHIEF EXECUTIVE OFFICER, RON COUGHLIN

I am pleased to introduce you to a significantly transformed Petco that's redefining the pet care industry and generating a compelling growth trajectory.

Over time, family pets have become a more meaningful and valued part of our lives, and have made their way from the backyard, to inside our homes, to their own and in many cases *our own* beds. Today, pets are considered family members by 94 percent of pet parents. Similarly, since our founding in 1965, Petco has grown from a local veterinary supplies shop to a disruptive, fully integrated, digital-led, comprehensive pet care *ecosystem* that puts the health and wellness of pets first. Today, we are a complete partner to pet parents, providing expertise, some of the world's most nutritious pet foods, and the supplies, services, and healthcare our pets need to thrive. We provide it all in an integrated fashion: premium food, supplies, grooming, training, and a full-service veterinary platform. Additionally, we do it all seamlessly across digital and physical worlds.

Today, Petco is a complete health and wellness company for pets.

With a world-class management team filled with some of the best minds from digital, retail, and consumer brands, a unified corporate strategy, and renewed clarity in our mission – we set out on a journey to reignite the passion for pet wellness that's been in our DNA for more than 55 years. With this as our foundation, our business transformation has focused on driving a differentiated merchandise strategy, building sticky services, and completely revamping our digital offerings underpinned by data, analytics, marketing prowess and fired up Petco partners. While in prior years we have incurred losses that resulted in an accumulated equity deficit for our current owners, and, as discussed in this prospectus, we continue to face risks and potential obstacles in our business and in our transformation, our current focus areas have generated attractive top- and bottom-line growth and position us for compelling long-term growth and profitability.

We are aggressively acquiring customers, as well as building and retaining these relationships. Our digital business has been growing at a strong rate since 2019 and is gaining share with millions of new customers flocking to our unique digital capabilities on both Petco.com and the Petco mobile app. We have formidable Owned Brands, such as the premium nutrition at value *WholeHearted* brand and fashion-forward *Reddy* brand, as well as premium partner brands such as Orijen, Acana, and Taste of the Wild. Our 1,470 brick and mortar pet care centers – which serve as hubs for BOPUS, Curbside Pickup, and sticky services like grooming and training – are growing too. And our ability to leverage these locations as mini distribution centers staffed by passionate and knowledgeable partners gives us a powerful competitive advantage. Add to that an aggressive veterinary hospital build out, mobile vaccination clinics and tele-vet, as well as recurring revenue from membership and insurance offerings, and Petco is firing on all cylinders.

Together, the Petco team is on a mission to improve lives. For pets, their parents, and for the over 26,000 partners who work here. And, to create a fast-growing, profitable company differentiated from its brick & mortar, online, and mass competitors.

In 2018, we announced a commitment to stop selling all dog and cat food and treats that contain artificial ingredients, a move that solidified our nutrition leadership in the industry and opened the door to partnerships with premium, exclusive brands that are typically only found in specialty channels. In October 2020, we upended the industry again by removing shock collars from our shelves and broadly advocating for and expanding access to Positive Training. During the pandemic, we've prioritized safety above all else, and we remain committed to serving the growing number of pets and pet parents who count on us to deliver for them in more safe and convenient ways than ever. We've seen the total addressable market grow significantly this year, and demand for new pets shows no sign of waning. Suffice it to say, our business was strong before the pandemic, accelerated during the pandemic, and we expect it to continue to grow at an accelerated rate long after the pandemic passes.

At every turn, we've stayed true to our shared belief that what's best for pets is always best for Petco.

Particularly during these challenging times, pets are an important source of comfort and joy. Studies show that over 3.3 million pets entered U.S. households this year alone and we look forward to feeding, training, grooming, equipping, and providing world-class veterinary care for many of these new family members for years to come. Together with the Petco Foundation, we're making positive impacts on pets, pet parents, our partners, and the communities we serve – and our strategy is delivering results. This combination of contribution to life betterment and drive for world class results epitomizes what we call "Purpose-Driven Performance."

I'm incredibly proud of the journey Petco is on, and I'm grateful and humbled to be part of the family that's orchestrated Petco's resurgence as a comprehensive health and wellness company for pets. As you dig in here, you'll learn why I'm confident this is just the beginning, and why I believe our future is brighter than ever. And I hope you'll join us.

Ron Coughlin, Chief Executive Officer

SUMMARY

This summary provides a brief overview of information contained elsewhere in this prospectus. The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in our Class A common stock. In addition to this summary, we urge you to read the entire prospectus carefully, including the information set forth under "Risk Factors," "Cautionary Note Regarding Forward-Looking Statements," and "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the historical consolidated financial statements and the accompanying notes included elsewhere in this prospectus.

Our Mission

We love pets. We are a purpose-driven company dedicated to improving the lives of pets, their parents, and the partners who work for us. We are committed to being the leading, most trusted resource in pet care, providing a comprehensive portfolio of essential products and services with expert advice that addresses all aspects of pet health and wellness.

Our Company

We are a beloved brand in the U.S. pet care industry with more than 55 years of service to pets and the people who love and care for them. Since our founding in 1965, we have been developing new standards in pet care, delivering comprehensive wellness solutions through our products and services, and creating communities that deepen the pet-parent bond. Over the last three years, we have transformed the business from a successful traditional retailer to a disruptive, fully-integrated, digital-focused provider of pet health and wellness offerings. We revamped our leadership team and invested over $300 million to build out leading capabilities across e-commerce and digital, owned brands, data analytics, and a full suite of on-site services including veterinary care. Our investments have delivered a comprehensive, integrated, and technology-enabled ecosystem of channels and offerings, complemented by a rapid innovation capability that is disrupting the pet market and providing pet parents with a differentiated holistic solution for all their pet care needs. For more information regarding our transformation investments, please read "Management's Discussion and Analysis of Financial Condition and Results of Operations—Innovation and Transformation."

Our go-to-market strategy is powered by a multi-channel platform that integrates our strong digital presence with our nationwide physical network. Our data-driven digital footprint, consisting of an entirely redesigned e-commerce site and personalized mobile app, delivers an exceptional customer experience and serves as a hub for pet parents to manage their pets' health, wellness, and merchandise needs, while enabling them to shop wherever, whenever, and however they want. By strategically leveraging our extensive physical network consisting of approximately 1,470 pet care centers located within three miles of 54% of our customers, we are able to offer our comprehensive product and service offering in a localized manner with a meaningful last-mile advantage over our competition. Through our connected platform, we serve our customers in a differentiated manner by offering the convenience of ship-from-store, buy-online, pick-up in-store ("BOPUS"), and curbside pick-up. This integrated, multi-channel approach clearly resonates with our customers, as the number of customers who engage with us across multiple channels has grown by 20% over the last three years. Further, these multi-channel customers spend between 3x to 6x more with us compared to single-channel customers. In the last 12 months ended October 31, 2020, we achieved approximately 80% retention of our multi-channel customers.

Through our multi-channel platform, we provide a comprehensive offering of differentiated products and services that fulfill all the needs of pet parents and their pets. Our product offering leverages our owned brand portfolio and partnerships with premium third-party brands to deliver high quality food that avoids artificial ingredients, complemented by a wide variety of premium pet care supplies. We augment this premier product offering with a broad suite of professional services, including grooming as well as in-store and online training. Our service offering is further enhanced by a rapidly expanding, affordable veterinary service platform, which includes full-service, outpatient veterinary care service locations ("veterinary hospitals"), Vetco clinics, and tele-veterinarian services. In addition, we are increasingly linking our offerings with subscription programs such as membership and pet health insurance that create deeper engagement with our over 21 million Active Customers (as defined in "Management's Discussion and Analysis of Financial Condition and Results of Operations—How We Assess the Performance of Our Business") as of October 31, 2020, with our Pals loyalty program members accounting for approximately 80% of transactions in the thirty-nine weeks ended October 31, 2020. In addition to providing differentiated products and services, our over 23,000 knowledgeable, passionate partners provide important high-quality advice to our customers in our pet care centers. With our integrated platform and comprehensive offering, we provide a complete pet health and wellness ecosystem that drives engagement across our enterprise and creates life-long customer relationships.

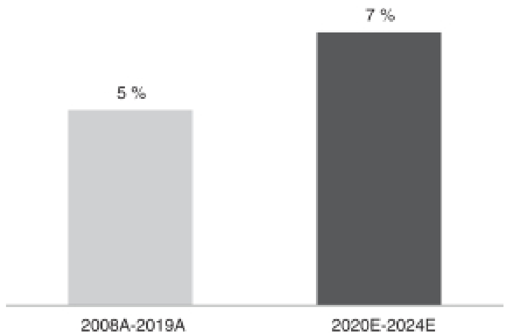
A Fully-Integrated and Comprehensive Pet Care Ecosystem

Industry Dynamics

The U.S. pet care industry is a large, attractive growth market experiencing a significant acceleration in response to multiple secular themes. The industry serves more than 72 million households with pets and represents a total addressable market of $97 billion in 2020. Since 2008, the industry has grown at a 5% compound annual growth rate ("CAGR"), driven by steady, predictable growth in the underlying pet population coupled with strong tailwinds associated with pet humanization. Due to the essential, consumable nature of pet care, the industry has demonstrated resilience across economic cycles. During the Great Recession, the industry delivered strong performance, growing at a CAGR of 6% from 2008 to 2010. With respect to our business, we are strategically focused on growing our presence in three of the fastest-growing areas of the market: services, e-commerce, and veterinary, which are projected to grow at 11%, 14%, and 9% CAGRs, respectively, from 2020 to 2024.

As a result of the COVID-19 pandemic, the industry is experiencing a significant increase in demand that is expected to be a tailwind for years to come. According to Packaged Facts, the number of households with pets in the United States is expected to increase by 4% in 2020, creating an estimated $4 billion in incremental annual demand for pet care products. Given the long-term, recurring demand for pet care products and services, which is expected to continue to grow in response to the pet humanization trend, this step function increase in the pet population represents a meaningful acceleration in total industry growth from 5% historically to 7% through 2024, according to Packaged Facts and company internal estimates. As pet care demand continues to grow, we believe we are well-positioned to capture an outsized portion of the growing market as a fully-integrated, comprehensive pet care provider in the industry.

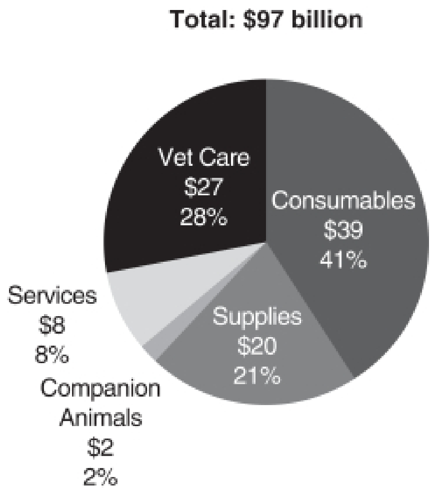
U.S. Pet Care Industry CAGR



Source: Packaged Facts and company internal estimates.

U.S. Pet Care Industry by Category

($ in billions, 2020)



Source: Packaged Facts and company internal estimates.

Our Transformation

Three years ago, we saw several major opportunities to accelerate our business. First, customers were shifting online and we saw a meaningful opportunity to better leverage our differentiated strengths and physical network to benefit from this shift. Second, research showed that pet parents had multiple care needs across products and services, but they were confused and looking for a partner to help them navigate to the right health and wellness decisions. Third, we recognized a need to become much more analytical and operationally rigorous. Lastly, the organization required clear strategic direction following a period of transition and cost cutting. Over the past three years we have invested over $300 million to support our innovation and business transformation strategies. These investments include: digital and e-commerce integration and expansion; data analytical capabilities; veterinary services; marketing and advertising; and our owned brands. Our transformation actions were focused on the following major initiatives and investments:

- assembled a next generation leadership team to drive transformation;
- built leading e-commerce and digital capabilities that leverage our physical network;
- reinvented grooming and training, and launched a full-service veterinary hospital network;
- created a highly differentiated owned and exclusive product offering;
- implemented a performance culture led by data analytics; and
- attracted exceptional talent in key growth areas.

For more information regarding our transformation investments, please read "Management's Discussion and Analysis of Financial Condition and Results of Operations—Innovation and Transformation."

Recent Financial Performance

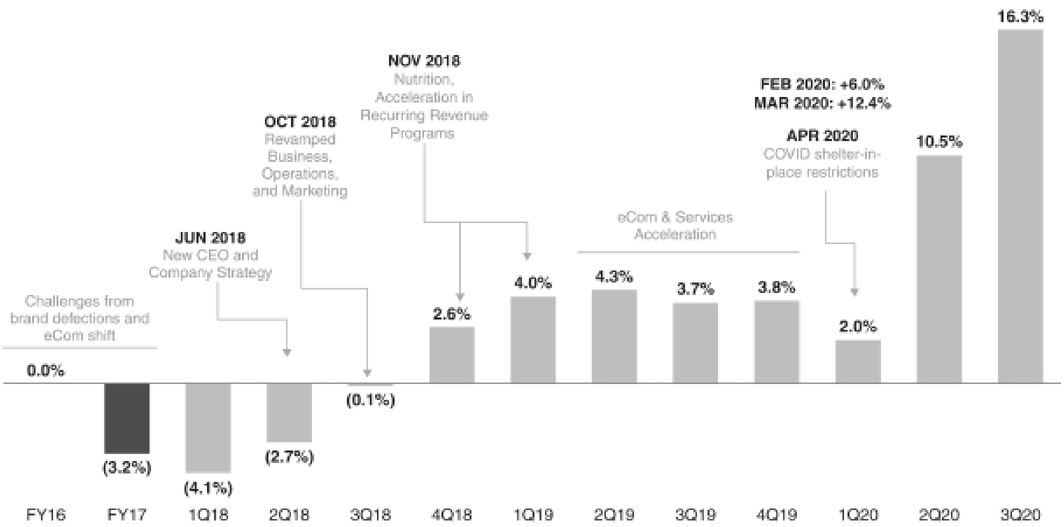
Our business transformation initiatives, accelerated by an increase in pet ownership and a shift in customer discretionary spend on pets, have driven strong top- and bottom-line growth in our business. Comparing the first thirty-nine weeks of Fiscal 2020 and Fiscal 2019, we achieved the following results:

- increase in net sales from $3.29 billion to $3.58 billion, representing period-over-period growth of 9.0%;
- comparable sales growth of 9.6%;
- increase in operating income from $69.5 million to $127.4 million, representing period-over-period growth of 83.5%;
- a decrease in net loss attributable to members from $(88.7) million to $(20.3) million, representing a period-over-period improvement of 77.1%; and
- an increase in Adjusted EBITDA from $292.6 million to $335.7 million, representing period-over-period growth of 14.7%.

For a description of our non-GAAP measures and reconciliations to their most comparable U.S. GAAP measures, please read the section titled "Selected Historical Consolidated Financial Data—Non-GAAP Financial Measures."

We consecutively grew net sales from $2.0 billion in Fiscal 2005 to $4.5 billion in Fiscal 2016. Following a period of decline from Fiscal 2016 through the third quarter of Fiscal 2018, our comparable sales growth has accelerated in the last eight quarters, during which we achieved the following results:

Quarterly Comparable Sales Growth



Our Competitive Strengths

Category-Defining Brand with Long-Term Customer Relationships Built on Trust

Since our founding in 1965, we have focused on building long-term relationships with pet parents by providing an exceptional customer experience. Our top-of-mind awareness is among the highest in the industry, cited by 28% of customers as the first brand that comes to mind when asked to name a brand in pet products. Across our platform, we have a team of over 23,000 highly trained pet care experts who love animals and are passionate about sharing their expertise with pet parents. Through our people—such as digital experts, sales and engagement partners, groomers, trainers, companion animal experts, and veterinarians—we are able to build and maintain long-term, high-touch relationships with pet parents.

Our brand is consistently strengthened by the touchpoints we have with our customers across channels, products, and services. As of October 31, 2020, we served over 21 million Active Customers, with members of our Pals loyalty program representing approximately 80% of our transactions in the thirty-nine weeks ended October 31, 2020 and ranking among the largest loyalty programs in the industry. We leverage the data from our Pals program via in-store technology (including hand-held devices that our partners use to assist customers with shopping), content, and recommendations in a highly personalized manner. Our customer relationships are built on trust and supported by high customer affinity, as demonstrated by our average nine-out-of-ten Voice of Consumer rating in the first three quarters of Fiscal 2020. Capitalizing on these long-term relationships and a foundation of trust, we have grown our business through the development of high-loyalty customers, which consist of customers that have three or more BOPUS purchases in the last 12 months and members of our Spa Club loyalty program, and recurring programs, including repeat delivery, Petco Vital Care Membership, PupBox, and Petco Insurance. Our high-loyalty customers and recurring programs generated 5.5% and 2.3%, respectively, of our 16.3% of comparable sales growth for the thirteen weeks ended October 31, 2020.

A Fully-Integrated Comprehensive Offering of Pet Products and Services Nationwide

We provide a fully-integrated comprehensive offering of pet care products and services that meet the needs of pet parents everywhere—something that none of our competitors currently offer.

Our product strategy is built around an extensive offering that features premium owned and partner brands known for quality and innovation. We offer leading varieties of wholesome, premium food that build upon our expertise in pet nutrition. For example, we proudly offer premium brands such as human-grade Just Food For Dogs, which are not widely available in other national pet specialty stores. In addition to food, we offer a wide range of pet supplies to meet the needs of pet parents. The combination of our differentiated food and supplies strategy, including owned and exclusive brands, has enabled us to offer a premium product offering, with more than 50% of our offering not available via online or mass competitors.

Our service offering consists of professional grooming, training, and veterinary services. In addition to acting as a profitable driver of new customer acquisition, our service platform helps retain and expand the yearly spend of existing customers, drive visit frequency and digital engagement, and build long-term loyalty.

Through our connected multi-channel ecosystem, we are able to offer our comprehensive product and service offering across all channels to meet our customer wherever, whenever, and however they want to shop and generated net sales of $1.26 billion for the thirteen weeks ended October 31, 2020. During the nine months ended October 31, 2020, customers who shopped across the four channels we track for these purposes (pet care center merchandise, e-commerce and digital, grooming and training services, and veterinary services including veterinary hospitals and Vetco clinics) spent on average 6x with us versus customers who only shopped one of these channels. Demonstrating the impact of our comprehensive ecosystem on our pet care centers, our 90 pet care centers that offer grooming, training veterinary services, ship-from-store, and BOPUS generate on average 91% higher revenue, as measured over the last 12 months ended October 31, 2020, than that of our average pet care center in Fiscal 2017. By the end of that same period, we had 3.5 million multi-channel customers, up from 3.0 million at November 2, 2019, with these customers generating 1.5% of our 16.3% of comparable sales growth for the thirteen-weeks ended October 31, 2020.

Connected Ecosystem Combining Leading Digital Capabilities and a Strategic Physical Network

We have built a connected ecosystem comprising leading digital capabilities and a national physical network. Through our Petco.com website and Petco app, we offer premier digital navigation, speed, assortment, market-based pricing, content, and personalization features. Through our physical network, we have the ability to consistently fulfill and deliver a growing assortment of products directly to consumers in addition to convenient offerings such as BOPUS and curbside pick-up. Our physical proximity to our customers also provides us a significant last-mile cost advantage relative to competitors. In the thirty-nine weeks ended October 31, 2020, approximately 80% of Petco.com orders were fulfilled by our pet care centers, either as ship-from-store, BOPUS, or curbside pick-up. Additionally, we have experienced increasing pet care center sales through our Petco app since its launch, with many pet parents electing to take advantage of BOPUS and curbside pick-up for their orders. For customers seeking even greater convenience, we offer repeat delivery options that facilitate recurring purchases. Our repeat delivery revenue stream increased 13% in Fiscal 2019, and for the thirty-nine weeks ended October 31, 2020, BOPUS purchases and repeat deliveries of products accounted for 61% of Petco.com sales. Finally, we continually leverage our digital capabilities to innovate, such as online booking of grooming appointments, convenient at-home services like on-line training, and mobile grooming. Our connected ecosystem provides us with a singular view of our customer, which fuels our highly effective performance marketing function to drive repeat visits and grow customer lifetime value. For the thirty-nine weeks ended October 31, 2020, we achieved a Petco.com customer retention rate that was 12% higher than that of the prior year period.

Rapidly Growing Veterinary Services Offering Stack

According to Packaged Facts, more than 70% of pet owners have concerns about the affordability of veterinary healthcare. In response, we have established a differentiated and highly scalable, affordable veterinary healthcare service platform that consists of our full-service veterinary hospitals, Vetco clinics, and tele-veterinary services. In Fiscal 2019, we serviced over 400,000 customers through our veterinary offering platform.

We are rapidly expanding our full-service veterinary hospitals across the country to provide expanded service coverage. By integrating these veterinary hospitals into existing pet care centers, we benefit from significant structural advantages compared to existing veterinary care providers, positioning us to deliver a more affordable solution to our customers. Through our digitally enabled approach, we offer competitive and affordable exam fees, supported by convenient online appointment scheduling, text reminders and weekend booking availability. We have experienced strong early success from our veterinary hospital strategy driven by highly compelling unit economics. Our veterinary hospitals have historically required approximately $600,000 in build-out costs and generate four-wall profitability by year two. We target sales and four-wall EBITDA margins at maturity of approximately $1.5 million and 20%, respectively. The ability for customers to conveniently purchase health-related products, including prescription food, at the time of a veterinary appointment creates a strong complementary relationship in an under-penetrated category for Petco. Despite reducing the total selling square footage of an existing pet center when we add a veterinary hospital, we experience a sales uplift in merchandise and non-veterinary services. Average non-veterinary sales increased by approximately 600 basis points in the first year of veterinary hospital operations. Additionally, sales of prescription food, which require an on-site veterinary hospital, are currently averaging an incremental

$1,000 of sales per week per pet care center. Our recent introduction of Petco Vital Care Membership, a subscription program that provides access to our holistic health and wellness offering that is exceeding both our enrollment and spend per customer goals, and Petco Insurance leverage our growing veterinary services network to provide incremental benefits and convenience for customers.

Industry-Leading Grooming and Training Business Driving Recurring Trip Frequency

Leveraging our strategic physical network, we have built one of the largest grooming and training businesses in the pet care industry. These essential services drive recurring visits into our pet care centers, allowing us to earn a greater share of wallet from our customers, as demonstrated by the fact that over the past three years our service customers tend to spend 2x as much with us compared to our non-service customers.

In our grooming business, we served over 2 million pets across approximately 1,350 of our pet care centers during Fiscal 2019. We are building on the success of our investment strategy with the addition of new elements such as our “Spa Club” grooming loyalty program, breed-specific marketing, and mobile grooming. Spa Club has helped drive a 14% improvement in customer retention rate between the fourth quarter of Fiscal 2018 and the fourth quarter of Fiscal 2019.

In our training business, we served over 180,000 pets across approximately 1,470 pet care centers during Fiscal 2019. Because training is generally conducted at an early stage in a pet’s life, this offering is a strategic customer acquisition tool to engender long-term loyalty with new pet parents. We continue to focus on augmenting our core in-store training offering with the launch of at-home and online training classes. In Fiscal 2019, on average, our training customers spent 3.3x more with us than our non-training customers.

Premier Owned Brand Product Development and Innovation Platform

We operate a leading, owned brand portfolio that has grown rapidly and is highly accretive to our product gross margins, typically driving a margin rate that is more than 1,000 basis points higher than comparable third-party brands. Our extensive direct customer relationships provide us with insights that allow us to identify unmet customer needs and trends and rapidly build products and services around those needs. We have an established infrastructure for developing, launching, and fostering growth in owned brand products, including an in-house packaged goods insights function, experienced fashion leadership, and a dedicated sourcing office in Asia.

Over the last three years, we have demonstrated the speed and depth of our innovation platform through the launch of 89 new brands and 5,000 new products. In 2016, we launched our first major proprietary pet food brand, WholeHearted, which features a premium ingredient panel, an attractive price point, quality packaging, and authentic branding that effectively targets millennial pet parents. In Fiscal 2019, we launched Reddy, our proprietary supplies brand that features premium fabrics and urban contemporary styling appealing to fashion-focused pet parents. We also believe our Well & Good brand has similar potential to tap into customer demand for premium wellness products. Sales of our owned brand portfolio have grown at a 14% CAGR between Fiscal 2017 and Fiscal 2019, and for Fiscal 2019, our owned brands generated sales of $1.1 billion, or approximately 27% of total product sales, up from 17% of product sales in Fiscal 2015.

Best-in-Pet Technology Capabilities

We have developed the ability to compete with the best-in-class innovation capabilities of our competitors. We invested over $150 million over the past three years in our digital systems and recruited leading digital talent, employing over 100 technology and analytics experts organized in rapid deployment “squad” structures linked to major areas like e-commerce, services, and customer relationship management ("CRM"). Our operating experience and insights enable us to develop, test, and scale solutions in a rapid innovation cycle. We also seek to leverage our existing assets and advantages in the market to ensure our innovation implementations are not easily replicable by the competition. In the last 24 months, we have launched new programs, such as curbside pick-up, online dog training, an online food coach, our complete pet wellness app, pet medical record consolidation, and Petco Vital Care Membership. Our ability to leverage our physical network has been a distinct competitive advantage. We believe our advanced innovation capabilities provide us with insights and opportunities to continue to enhance customer engagement, rapidly improve our offerings, and expand into new product and service lines faster and better than competitors.

Highly Experienced and Proven Management Team

We have an experienced and proven management team of successful retail, consumer, and technology industry veterans and a deep bench of talent supporting our emerging services, e-commerce, and omni-channel competencies.

- Our Chief Executive Officer, Ron Coughlin, who has been with Petco for over two years, brings 11 years of experience at HP, including eight as Division President, and 13 years of marketing experience at PepsiCo where he left as a Chief Marketing Officer
- Our Chief Financial and Operating Officer, Michael Nuzzo, actively oversees our supply chain and our services and veterinary businesses, after joining us in 2015, and has over 20 years of experience managing financial and operational strategy at leading public and private retail companies, including GNC and Abercrombie & Fitch
- Our Chief Digital & Innovation Officer, Darren MacDonald, brings critical e-commerce experience, having built one of the leading global e-commerce platforms during his prior roles at Walmart and Jet.com, and having developed one of the most trafficked online shopping comparison engines as CEO of Pronto Network, an IAC company
- Our Chief Pet Care Center Officer, Justin Tichy, offers deep field experience with leading store teams at public retail companies, including Best Buy, Target, and Walmart
- Our Chief Merchandising Officer, Nick Konat, brings leading consumer and retail expertise from managing merchandising strategies at Target as well as from his experience as a consultant at Accenture
- Our Chief Human Resources Officer, Michelle Bonfilio, has prior experience in the pet industry and senior human resources roles with leading public retailers, including The Gap and Williams Sonoma
- Our Chief Information and Administrative Offer, John Zavada, brings valuable information technology experience, formerly serving as CIO of Restoration Hardware and L Brands, among others
- Our Chief Legal Officer and Secretary, Ilene Eskenazi, brings over 20 years of legal experience from leading retail, apparel, and consumer packaged goods companies, having served as general counsel for other leading global brands such as Red Bull and True Religion
- Our Chief Marketing Officer, Tariq Hassan, brings significant marketing, brand management and communications experience, having served in leadership roles at Bank of America and Hewlett-Packard Company (now HP Inc.)

The balance of the senior team has experience from a host of high caliber companies.

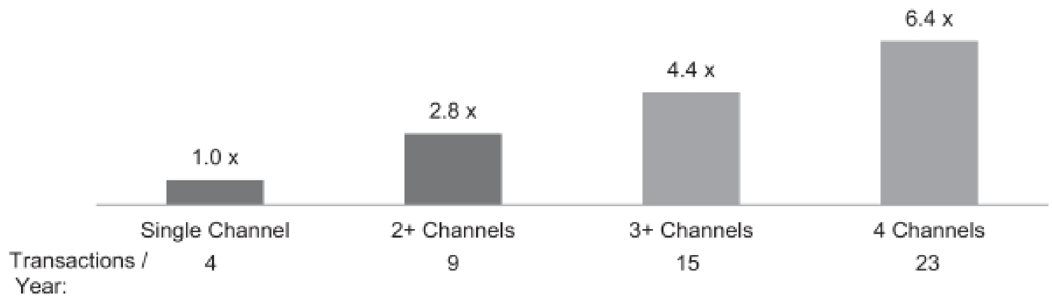
Our Growth Strategies

Building upon our success to date, we see a significant opportunity to drive long-term growth across our business by executing on the following growth strategies:

Continue to Acquire New Customers and Drive Engagement Across All our Channels.

- **Acquire New Customers:** Strong secular trends in the industry are introducing new pet parents to the category. We are distinctively positioned to acquire new customers through our effective marketing, e-commerce engagement, new pet programs, Pals loyalty program, Petco app, and sticky services offerings, as well as our strategic physical network, which provides a low-cost acquisition and powerful brand awareness vehicle. As one of the most recognizable brands in the industry and a fully-integrated complete solution for all pet health and wellness needs, we are distinctively positioned to successfully acquire new customers looking for the best first stop as new pet parents.
- **Increase Engagement and Monetization Across All Channels and Offerings:** Our multi-channel and multi-category customers represent our highest yearly and lifetime value spend levels and will be a meaningful contributor to our future growth. During the 12 months ended October 31, 2020, we achieved approximately 80% retention of our multi-channel customers. Over that same period, customers who engage with us across two or more channels spend on average 2.8x as much as our single-channel customers spend, and those who engage with us across three or more channels and all four channels spend on average 4.4x to 6.4x as much, respectively. We plan to drive these spend levels higher as we scale our e-commerce platform and full-service veterinary hospitals. Further, we believe we have an embedded opportunity to significantly grow the value of our active customer base by attracting customers to additional channels, leveraging our comprehensive health and wellness offering, in-store cross-selling, Petco app, advanced CRM capabilities, and subscription programs like repeat delivery, which directly facilitate multi-channel purchases.

Relative Spend by Customer Type (Indexed to Single-Channel Customer)



Source: Company data; customer spend data are as of the 12 months ended October 31, 2020; during the 12 months ended October 31, 2020, our average single-channel customer spent approximately $150.

Note: Channels consist of pet care center merchandise, e-commerce and digital, grooming and training services, and veterinary services.

- **Maximize Customer Engagement and Loyalty with Subscription Programs:** Beyond our repeat delivery program, we have only begun to capitalize on subscription revenue opportunities, including through the recent launches of additional value-add subscription programs:
  - **Petco Vital Care Membership:** an annual fee-based membership program that provides preferred access to our holistic health and wellness offering across products, grooming, and veterinary care;

- **PupBox:** a service that provides monthly shipments of premium food, treats, and merchandise to puppy parents; and
- **Petco Insurance:** an annual service that provides affordable, full-service pet health coverage with added pet product and services perquisites not offered by traditional insurance company plans.

All three programs have experienced strong initial customer reception to date. While these programs are relatively nascent, we are excited by the opportunity to bring together our product and service offerings under subscription programs that we believe will positively impact the customer experience while providing us with an attractive revenue stream from subscription businesses.

Continue to Grow Our Digital Business.

We intend to leverage our fully-integrated ecosystem, high-performance website and mobile app experience, fulfilment cost advantages, and differentiated services offerings to capitalize on the continued strong growth of e-commerce in the pet industry. In particular, we expect the continued expansion of BOPUS and curbside pick-up, which we are able to offer profitably given our strategic physical network, to allow us to substantially grow e-commerce sales while maintaining a leading customer fulfillment proposition. Our ability to connect our online platform with our in-person offerings, such as grooming, training, and veterinary care, creates a “flywheel” that drives greater online visits, which in turn create more opportunities for cross-selling other products and services. By leveraging our technology and operational assets, we plan to continue delivering innovation and new multi-channel offerings with a goal of meeting or exceeding overall pet e-commerce industry growth, as well as increasing our e-commerce penetration.

Expand Our Health & Wellness Services.

- **Rapid Expansion of our Differentiated Veterinary Services:** Veterinary care is one of the fastest-growing categories in the pet industry and one of our key strategic priorities. Through our comprehensive veterinary offering stack and affordable care positioning, we are disrupting the industry and intend to gain market share by expanding on our proven, replicable model of offering affordable, high-quality veterinary services to pet parents everywhere. We have experienced strong results from the 105 full-service veterinary hospitals currently open and plan to continue to add 60 to 70 hospitals per year to new, relocated, and remodeled pet care centers as we execute on a 900+ location white space. We also have the opportunity to utilize tele-veterinary services to grow the revenue base of our hospitals through convenient online appointments. Outside of our full-service veterinary hospitals, we are expanding our Vetco clinic business both within Petco and through partnerships with other retail partners. We believe that through our affordable, convenient, and tech-enabled veterinary proposition, we are well-positioned to capture increasing share in the attractive veterinary services market while driving overall share of customer wallet by marketing and cross-selling our non-veterinary offerings.
- **Continue to Grow Our Core Grooming and Training Businesses:** The grooming and training markets are highly fragmented and offer us an opportunity to meaningfully grow our market share. Grooming is a large addressable market in the United States, representing approximately $3 billion in 2020, according to Packaged Facts. Relative to our competitors, our scale and digital capabilities, such as convenient online scheduling, provide us with a compelling advantage. In our grooming business, we have an opportunity to increase productivity by adding staff to meet elevated customer demand, selling higher priced service packages, and adding mobile grooming capabilities to capture demand for at-home services. In our training business, we have a multi-year growth opportunity with our recently expanded

offerings beyond our standard in-store group classes, including private, one-on-one classes both in-store and at-home, as well as online training classes taught by our elite trainers.

Drive Product Sales with Emphasis on Owned Brand Innovation and Exclusive Brands.

We have a significant opportunity to leverage our differentiated owned brand development and innovation capabilities to accelerate growth of our leading owned brand portfolio, which has experienced growth at a CAGR of 14% between Fiscal 2017 and Fiscal 2019. During Fiscal 2019, our owned brand business accounted for $1.1 billion of sales, or 27% of total product sales, driven by the success of our WholeHearted and recently launched Reddy brands, and our exclusive and differentiated product offerings accounted for $1.7 billion of sales, or 43%, of total product sales. Looking ahead, owned brands are a key strategic priority for us as we will leverage consumer insights to drive continued innovation in our offerings across food and supplies in a manner that is differentiated relative to our competitors. Additionally, we intend to grow our brand portfolio through new partnerships with premium brands in the industry, as well as expanding existing partnerships, such as a broader rollout of Just Food For Dogs pantries and on-site kitchens. Our differentiated food and supplies offering is a key driver of customer loyalty and stickiness, with more than 50% of our offering not available in online or mass competitors.

Leverage Category Capabilities to Expand Our Offerings and Geographies.

Our journey is just beginning. Our fully-integrated multi-channel ecosystem provides us with tremendous data and insights, as well as the ability to continually innovate and add new capabilities and offerings. We plan to continue to add to our service offerings with new elements of our breed-specific at-home and online training classes. In the subscription offering area, we are planning initiatives in proprietary credit card, membership, and wellness programs. Within our technology platform, we plan to build upon our strong momentum to rapidly innovate and roll out new capabilities.

Internationally, we see significant opportunity to deploy our comprehensive model to expand our presence in new markets. We will leverage the success of our joint venture with Grupo Gigante in Mexico, where we have over 80 locations, and our wholesale partnership with Canadian Tire in Canada, where we have Petco products in approximately 450 locations, including the initial launch and build-out of dedicated Petco shop-in-shops, to continue to grow in these geographies. Looking ahead, we also see a meaningful opportunity to pursue a wholesale distribution approach like with Canadian Tire in new international geographies in Central and South America, Europe, and Asia.

Impact of the COVID-19 Pandemic on Our Business

The ongoing COVID-19 pandemic has impacted every aspect of the economy including employment, consumer spending patterns, living and working conditions, and the viability of certain business sectors. Market data indicates that with more of the working population staying home, there has been an increase in pet ownership and the percentage of disposable income spent on home-related goods and services, including pet care. This macroeconomic trend is favorably impacting our business results to date, but the possible sustained spread or resurgence of the pandemic, and any government response thereto, increases the uncertainty regarding future economic conditions that will impact our business in the future. For more information on the impact of the COVID-19 pandemic on our business, please read “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Impact of the COVID-19 Pandemic on Our Business.”

Summary of Risks Related to Our Business

An investment in our Class A common stock involves a high degree of risk. Among these important risks are the following:

- A decline in consumer spending or a change in consumer preferences or demographics could reduce our sales or profitability and adversely affect our business.

- The growth of our business depends in part on our ability to accurately predict consumer trends, successfully introduce new products and services, improve existing products and services, and expand into new offerings.
- Our continued success is substantially dependent on positive perceptions of Petco, including our owned or exclusive brands.
- Competition in the markets in which we operate, including internet-based competition, is strong and if we are unable to compete effectively, our ability to generate sales may suffer and our operating income and net income could decline.
- We may be unable to execute our growth strategies successfully or manage and sustain our growth and, as a result, our business may be adversely affected.
- We may experience difficulties recruiting and retaining skilled veterinarians due to shortages that could disrupt our business.
- We face various risks as an e-commerce retailer.
- If we fail to generate or obtain sufficient capital to finance our growth strategies, we may be unable to sustain our growth and our business may be adversely affected.
- We depend on key personnel, and if we lose the services of any of our principal executive officers, we may not be able to run our business effectively.
- The loss of any of our key merchandise vendors, or of any of our exclusive distribution arrangements with certain of our vendors, would negatively impact our business.
- We face various risks related to health epidemics, pandemics, and similar outbreaks, such as the recent outbreak of COVID-19, which may materially and adversely affect our business, financial position, results of operations, and cash flows.
- A disruption, malfunction, or increased costs in the operation, expansion, or replenishment of our distribution centers or our supply chain would affect our ability to deliver to our locations and e-commerce customers or increase our expenses, which could harm our sales and profitability.
- Our reputation and business may be harmed if our or our vendors' computer network security or any of the databases containing customer, employee, or other personal information maintained by us or our third-party providers is compromised, which could materially adversely affect our results of operations.
- If our information systems or infrastructure fail to perform as designed or are interrupted for a significant period of time, our business could be adversely affected.
- Pet food safety, quality, and health concerns could adversely affect our business.
- Our substantial indebtedness could adversely affect our cash flows and prevent us from fulfilling our obligations under existing debt agreements.
- Our Sponsors will continue to have significant influence over us after this offering, including control over decisions that require the approval of stockholders, which could limit your ability to influence the outcome of matters submitted to stockholders for a vote.
- We are a "controlled company" within the meaning of the Nasdaq rules and, as a result, expect to qualify for, and intend to rely on, exemptions from certain corporate governance requirements. You will not have the same protections as those afforded to stockholders of companies that are subject to such governance requirements.

You should carefully read and consider the information set forth under the heading "Risk Factors" beginning on page 21 and the other information in this prospectus for an explanation of these risks before investing in our Class A common stock.

Our Sponsors

We are currently controlled by Scooby LP, which is directly and/or indirectly owned by certain funds (the “CVC Funds”) that are advised and/or managed by CVC Capital Partners (“CVC”), CPP Investments, a Canadian company (together with its affiliates, “CPP Investments” and together with the CVC Funds, our “Sponsors”), and certain passive co-investors. Prior to the completion of this offering, Scooby LP will transfer our equity that it holds to Scooby Aggregator LP, a newly formed and wholly owned subsidiary (our “Principal Stockholder”).

Our Sponsors acquired their direct and indirect interests in us in connection with our formation and as contemplated by that certain Agreement and Plan of Merger, executed in November 2015 (the “Merger Agreement”). Pursuant to the Merger Agreement, in January 2016, a wholly owned subsidiary of ours (“Merger Sub”) was merged with and into Petco Holdings, Inc. with Petco Holdings, Inc. surviving as a wholly owned subsidiary of ours and converting from a Delaware corporation to a Delaware limited liability company, for an aggregate purchase price of approximately $4.7 billion, excluding fees and expenses. Following the closing of the transactions contemplated by the Merger Agreement, we directly owned and controlled Petco Holdings, Inc. LLC. The transactions contemplated by the Merger Agreement, when including fees and expenses, were financed by: (1) the contribution of equity in an aggregate amount of approximately $1.5 billion by CVC, CPP Investments and passive co-investors; (2) the borrowing of approximately $2.5 billion under the term loan facility (as defined herein); (3) a draw of $0.1 billion on the revolving credit facility (as defined herein); and (4) the issuance by Merger Sub of $0.8 billion in aggregate principal amount of the Floating Rate Senior Notes (as defined herein) in a private placement offering. Petco Animal Supplies, Inc., a wholly owned subsidiary of Merger Sub and our current operating subsidiary, subsequently assumed the obligations of Merger Sub under the Floating Rate Senior Notes. Further, in connection with the merger, we issued the 3.00% Senior Notes (as defined herein) to certain equityholders, including Scooby LP, as a means of facilitating a potential distribution of cash to such equityholders. To facilitate this offering, as described below, our equityholders have elected to contribute such notes to us in exchange for additional equity prior to the completion of this offering.

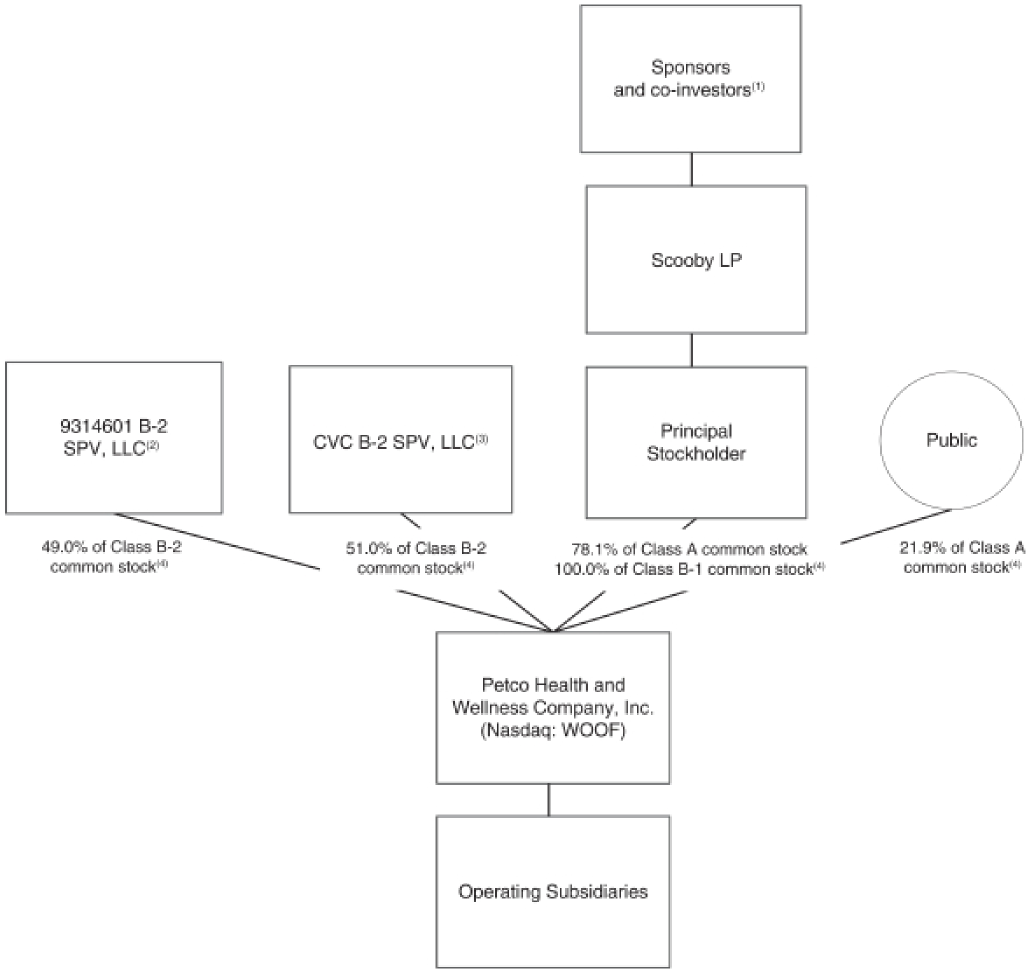
After giving effect to the Corporate Conversion and the completion of this offering, our Sponsors will control 81.3% of the outstanding voting power of our company. For more information on our ownership of our common stock by our principal stockholders and the voting and economic rights associated with each class of our common stock, please read “Principal Stockholders” and “Description of Capital Stock,” respectively.

Recapitalization and Corporate Conversion

Prior to the completion of this offering, all of the 3.00% Senior Notes will be contributed to us and canceled, and substantially contemporaneously with the completion of this offering a portion of the Floating Rate Senior Notes of Petco Animal Supplies will be partially exchanged for indebtedness of our Principal Stockholder, with such Floating Rate Senior Notes contributed to us by our Principal Stockholder and canceled. These transactions, which we refer to collectively as the “Recapitalization,” will have the net effect of reducing our indebtedness and increasing our stockholders’ equity. For more information regarding this indebtedness, please read “Recapitalization and Corporate Conversion” and Note 9 to the historical consolidated financial statements included elsewhere in this prospectus.

We currently operate as a Delaware limited liability company under the name PET Acquisition LLC. Prior to the effectiveness of the registration statement of which this prospectus forms a part, PET Acquisition LLC will convert into a Delaware corporation pursuant to a statutory conversion and change its name to Petco Health and Wellness Company, Inc. In this prospectus, we refer to all of the transactions related to our conversion to a corporation described above as the “Corporate Conversion.” For more information regarding our conversion to a corporation, please read “Recapitalization and Corporate Conversion.”

The following diagram indicates our simplified ownership structure immediately following this offering and the transactions related thereto (assuming that the underwriters' option to purchase additional shares is not exercised):



(1) Scooby LP is directly and/or indirectly owned by our Sponsors and certain co-investors and is controlled by our Sponsors.
(2) For more information on 9314601 B-2 SPV, LLC, please read footnote (6) to the table in "Principal Stockholders."
(3) For more information on CVC B-2 SPV, LLC, please read footnote (5) to the table in "Principal Stockholders."
(4) For more information on the percentage ownership of our common stock and the voting and economic rights associated with each class of our common stock, please read "Principal Stockholders" and "Description of Capital Stock," respectively.

Corporate Information and Structure

PET Acquisition LLC is a Delaware limited liability company. Prior to the effectiveness of the registration of which this prospectus forms a part, we will convert into a Delaware corporation pursuant to a statutory conversion and be renamed Petco Health and Wellness Company, Inc. Please read the section captioned "Recapitalization and Corporate Conversion." Our principal executive offices are located at 10850 Via Frontera, San Diego, California 92127, and our telephone number at that address is (858) 453-7845. Our only material asset is the indirect ownership of 100% of the equity of Petco

Animal Supplies Stores, Inc., a Delaware corporation, through which we conduct all of our business. Our website is www.petco.com. We expect to make our periodic reports and other information filed with or furnished to the Securities and Exchange Commission, or the SEC, available, free of charge, through our website, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference into this prospectus and does not constitute a part of this prospectus.

Our Controlled Company Status

Because our Sponsors will control 171,224,140 shares of Class A common stock and 37,790,781 shares of Class B-2 common stock, which are the only classes of our common stock entitled to vote on director elections and which represent in the aggregate approximately 81.3% of the voting power with respect to director elections, we expect to be a controlled company as of the completion of this offering under the Nasdaq rules. A controlled company is not required to have a majority of independent directors or form an independent compensation or nominating and corporate governance committee. As a controlled company, we will remain subject to rules that require us to have an audit committee composed entirely of independent directors, subject to the “phase-in” rules applicable to newly public companies. Under the “phase-in” rules, we are required to have at least three independent directors on our audit committee within one year of the effectiveness of the registration statement of which this prospectus forms a part. We expect to have at least three independent directors upon the completion of this offering. Please read “Management—Status as a Controlled Company.”

The Offering

Class A common stock offered by us	48,000,000 shares (55,200,000 shares if the underwriters' option to purchase additional shares is exercised in full)
Class A common stock to be outstanding after this offering	219,224,140 shares (226,424,140 shares if the underwriters' option to purchase additional shares is exercised in full)
Voting rights	Shares of our Class A common stock will be entitled to one vote per share on all matters presented to our stockholders generally. Holders of our Class B-1 common stock will not be entitled to vote in the election or removal of directors. Holders of our Class B-2 common stock will only have the right to vote in the election or removal of directors. Our Sponsors will beneficially own all outstanding shares of Class B-1 common stock and Class B-2 common stock.
Conversion rights	Each share of Class A common stock will be convertible into one share of Class B-1 common stock and one share of Class B-2 common stock at any time and from time to time, at the option of the holder, so long as such holder holds one or more shares of Class B-1 common stock or Class B-2 common stock at the time of conversion. Each share of our Class B-1 common stock will be convertible into one share of Class A common stock at the option of the holder. As a condition to such conversion, the holder of the shares of Class B-1 common stock to be converted must direct a holder of Class B-2 common stock to transfer an equal number of shares to our company. No public stockholders will have conversion rights because they will not be eligible to hold shares of Class B-1 common stock or Class B-2 common stock.
Use of proceeds	We expect to receive approximately $699.4 million of net proceeds from this offering (or $805.4 million if the underwriters exercise in full their option to purchase additional shares of our Class A common stock), based upon the assumed initial public offering price of $15.50 per share (which is the midpoint of the price range set forth on the cover page of this prospectus), after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use a portion of the net proceeds from this offering to pay the accrued but unpaid interest on the exchanged Floating Rate Senior Notes and to redeem in full the remaining $300 million aggregate principal

	amount, plus accrued but unpaid interest, of the Floating Rate Senior Notes that remain outstanding after the Recapitalization and the remainder of the proceeds, plus cash on hand, to repay a portion of the term loan facility.
Conflicts of interest	Certain affiliates of Goldman, Sachs & Co. LLC (the "GS Noteholders") hold a portion of the Floating Rate Senior Notes. The GS Noteholders receive interest payments and, upon the redemption of the Floating Rate Notes, will receive a pro rata portion of the redemption payment. Because the GS Noteholders will receive 5% or more of the net proceeds of this offering, Goldman, Sachs & Co. LLC is deemed to have a conflict of interest within the meaning of Rule 5121 of the Financial Industry Regulatory Authority, Inc. ("FINRA"). Accordingly, this offering will be conducted in compliance with Rule 5121, which requires, among other things, that a "qualified independent underwriter" participate in the preparation of, and exercise the usual standards of "due diligence" with respect to, the registration statement and this prospectus. BofA Securities, Inc. ("BofA") has agreed to act as a qualified independent underwriter for this offering and to undertake the legal responsibilities and liabilities of an underwriter under the Securities Act, as amended (the "Securities Act"), specifically including those inherent in Section 11 thereof. BofA will not receive any additional fees for serving as a qualified independent underwriter in connection with this offering. We have agreed to indemnify BofA against liabilities incurred in connection with acting as a qualified independent underwriter, including liabilities under the Securities Act. Please read "Underwriting (Conflicts of Interest)—Conflicts of Interest."
Dividend policy	We do not anticipate paying any cash dividends on our Class A common stock in the near future. In addition, our credit facilities place certain restrictions on our ability to pay cash dividends. Please read "Dividend Policy."
Listing and trading symbol	We have applied to list our Class A common stock on Nasdaq under the symbol "WOOF."
Risk factors	You should carefully read and consider the information set forth under the heading "Risk Factors" and all other information set forth in this prospectus before deciding to invest in our Class A common stock.
Directed Share Program	At our request, BofA Securities, Inc., a participating underwriter, has reserved for sale,

at the initial public offering price, up to 5% of the shares offered by this prospectus for sale to certain of our directors, officers, employees, business associates, and related persons. If these persons purchase reserved shares it will reduce the number of shares available for sale to the general public. Any reserved shares that are not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus. For more information regarding the directed share program, please read "Underwriting (Conflicts of Interest)—Directed Share Program."

Unless the context requires otherwise, references to the number and percentage of shares of our common stock to be outstanding immediately after this offering are based on 257,014,921 shares of our common stock outstanding and assume the underwriters' option to purchase additional shares of our Class A common stock will not be exercised.

Unless otherwise indicated, the information presented in this prospectus:

- gives effect to our certificate of incorporation and bylaws, which will be in effect prior to the completion of this offering;
- assumes an initial public offering price of $15.50 per share of our Class A common stock, the midpoint of the estimated public offering price range set forth on the cover page of this prospectus; and
- excludes 28,271,641 shares of our Class A common stock reserved for future issuance under the 2021 Plan (as defined herein), as further described in "Executive Compensation—2021 Equity Incentive Plan," and 7,710,448 shares of our Class A common stock reserved for future issuance under the ESPP (as defined herein), as further described in "Executive Compensation—2021 Employee Stock Purchase Plan."

Summary Historical Consolidated Financial Data

The following table presents our summary historical consolidated financial data as of the dates and for the periods indicated. The summary historical consolidated financial data as of and for the fiscal years ended 2019 and 2018, and for the thirty-nine weeks ended October 31, 2020, are derived from the audited historical consolidated financial statements included elsewhere in this prospectus. The summary historical consolidated financial data as of and for the thirty-nine weeks ended November 2, 2019 are derived from the unaudited consolidated financial statements included elsewhere in this prospectus.

Historical results are not necessarily indicative of the results to be expected for future periods. We refer you to the notes to our historical consolidated financial statements for a discussion of the basis on which our historical consolidated financial statements are prepared.

Our fiscal year ends on the Saturday closest to January 31, resulting in fiscal years of either 52 or 53 weeks. All references to a fiscal year refer to the fiscal year ending on the Saturday closest to January 31 of the following year. For example, references to Fiscal 2019 refer to the fiscal year beginning February 3, 2019 and ending February 1, 2020. Fiscal 2019 and Fiscal 2018 each include 52 weeks.

This table should be read in conjunction with the sections entitled "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical consolidated financial statements and the accompanying notes included elsewhere in this prospectus.

	Fiscal Year		Thirty-Nine Weeks Ended	
(dollars in thousands)	2019 (52 weeks ended February 1, 2020)	2018 (52 weeks ended February 2, 2019)	October 31, 2020	November 2, 2019
Statement of operations data:				
Net sales	$ 4,434,514	$ 4,392,173	$ 3,582,489	$ 3,285,858
Cost of sales	2,527,995	2,487,334	2,045,016	1,877,237
Gross profit	1,906,519	1,904,839	1,537,473	1,408,621
SG&A expenses	1,776,919	1,746,387	1,410,024	1,339,154
Goodwill & indefinite-lived intangible impairment	19,000	373,172	—	—
Operating income (loss)	110,600	(214,720)	127,449	69,467
Interest income	(335)	(420)	(332)	(201)
Interest expense	253,018	243,744	169,096	192,222
Loss on extinguishment of debt	—	460	—	—
Loss before income taxes and (income) loss from equity method investees	(142,083)	(458,504)	(41,315)	(122,554)
Income tax benefit	(35,658)	(45,840)	(13,537)	(28,263)
(Income) loss from equity method investees	(2,441)	1,124	(2,952)	(326)
Net loss	(103,984)	(413,788)	(24,826)	(93,965)
Net loss attributable to noncontrolling interest(1)	(8,111)	—	(4,502)	(5,263)
Net loss income attributable to members	$ (95,873)	$ (413,788)	$ (20,324)	$ (88,702)
Per unit data:				
Loss per unit attributable to Common Series A and Common Series B members, basic and diluted	$ (0.07)	$ (0.28)	$ (0.01)	$ (0.06)
Weighted average units used in computing loss per unit attributable to Common Series A and Common Series B members	1,457,985	1,457,164	1,458,558	1,457,794
Cash dividends declared per common unit	$ —	$ —	$ —	$ —
Pro forma net loss attributable to Class A and Class B-1 common stockholders, basic and diluted(2)	$ (0.46)	$ (1.98)	$ (0.10)	$ (0.42)

(dollars in thousands)	Fiscal Year 2019 (52 weeks ended February 1, 2020)	Fiscal Year 2018 (52 weeks ended February 2, 2019)	Thirty-Nine Weeks Ended October 31, 2020	Thirty-Nine Weeks Ended November 2, 2019
Statement of cash flow data:				
Net cash provided by (used in)				
Operating activities	$ 110,337	$ 203,202	$ 201,480	$ (34,248)
Investing activities	(139,041)	(142,682)	(95,920)	(119,220)
Financing activities	(3,071)	(32,099)	(51,124)	117,595
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (31,775)	$ 28,421	$ 54,436	$ (35,873)
Balance Sheet data (end of period):				
Cash and cash equivalents	$ 148,785	$ 180,649	$ 195,832	$ 145,815
Merchandise inventories, net	478,968	470,144	541,352	519,212
Working (deficit) capital(3)	(130,936)	218,138	(59,702)	(40,313)
Fixed assets, net	656,256	683,547	618,930	683,870
Total assets(4)	6,155,118	4,924,379	6,203,814	6,276,342
Total debt(5)	3,270,131	3,239,167	3,237,664	3,381,217
Total equity	561,061	637,909	545,617	566,192
Other Financial and Operational Data:				
Comparable sales increase (decrease)(6)	3.9%	(1.1)%	9.6%	4.0%
Total pet care centers at end of period	1,478	1,490	1,468	1,488
Total pet care centers with veterinarian practices at end of period	81	39	105	70
Total Active Customers (in thousands)(7)	19,651	19,075	21,462	19,727
Total Active Multi-Channel Customers (in thousands)(8)	3,024	2,786	3,531	3,000
Net loss margin(9)	(2.3)%	(9.4)%	(0.7)%	(2.9)%
Adjusted EBITDA(10)	$ 424,547	$ 437,836	$ 335,749	$ 292,628
Adjusted EBITDA margin(10)	9.6%	10.0%	9.4%	8.9%

(1) The non-controlling interest represents 50% of the net loss of our veterinary joint venture, which is a variable interest entity for which we were deemed to be the primary beneficiary beginning in Fiscal 2019 due to revisions made in the joint operating agreement. Prior to Fiscal 2019, the joint venture was accounted for as an equity method investment.

(2) Assumes conversion of PET Acquisition LLC units into shares of our common stock in the Corporate Conversion. Class B-2 common stock is not allocated earnings on a pro forma, per share basis because it only has nominal economic rights.

(3) Working (deficit) capital is defined as current assets minus current liabilities.

(4) We adopted Accounting Standards Update (“ASU”) 2016-02, “Leases (Topic 842),” and related amendments as of February 3, 2019, the beginning of Fiscal 2019 on a prospective basis and therefore, fiscal years prior to 2019 have not been revised.

(5) Total debt includes obligations under the senior secured credit facilities (as defined herein), the Floating Rate Senior Notes, the 3.00% Senior Notes, and finance leases. Amounts are reflected net of unamortized discounts and debt issuance costs.

(6) Comparable sales growth is for our total enterprise. A new location or digital site is included in comparable sales beginning on the first day of the fiscal month following 12 full fiscal months of operation and is subsequently compared to like time periods from the previous year. Relocated stores become comparable stores on the first day of operation if the original store was open longer than 12 full fiscal months. If, during the period presented, a store was closed, sales from that store are included up to the first day of the month of closing. Additionally, our comparable sales exclude the impact of the wind-down and migration of our Drs. Foster & Smith digital site to Petco.com in Fiscal 2018 and Fiscal 2019. Please read “Management’s Discussion and Analysis of Financial Condition and Results of Operations—How We Assess the Performance of Our Business.”

(7) As of the last date of a reporting period, Total Active Customers is defined as the total number of trackable unique customers (including Pals Loyalty members) that have made at least one transaction with us, across any of our channels, during the prior 12-month period.

(8) As of the last date of a reporting period, Total Active Multi-Channel Customers is defined as the total number of trackable unique customers that have transacted with us across at least two of our channels during the prior 12-month period.

(9) Net loss margin is defined as net loss divided by net sales.

(10) Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. Please read “Selected Historical Consolidated Financial Data—Non-GAAP Financial Measures” for additional information regarding these non-GAAP financial measures and a reconciliation to the most comparable GAAP measures of each.

RISK FACTORS

Investing in our Class A common stock involves uncertainty and risk due to a variety of factors. You should carefully consider the risks described below with all of the other information included in this prospectus before deciding to invest in our Class A common stock. Further, the risks and uncertainties described below are not the only ones we face. Additional risks not presently known to us or that we currently deem immaterial may also materially affect our business. If any of the following risks were to occur, our business, financial condition, and results of operations could be materially adversely affected. In that case, the trading price of our Class A common stock could decline, and you could lose all or part of your investment. For a summary of these risks, please read "Summary—Summary of Risks Related to Our Business."

Risks Related to Our Business

A decline in consumer spending or a change in consumer preferences or demographics could reduce our sales or profitability and adversely affect our business.

Our sales depend on consumer spending, which is influenced by factors beyond our control, including general economic conditions, disruption or volatility in global financial markets, changes in interest rates, the availability of discretionary income and credit, weather, consumer confidence, unemployment levels and government orders restricting freedom of movement. We may experience declines in sales or changes in the types of products and services sold during economic downturns. Our business could be harmed by any material decline in the amount of consumer spending, which could reduce our sales, or a decrease in the sales of higher-margin products, which could reduce our profitability and adversely affect our business.

We have also benefited from increasing pet ownership, discretionary spending on pets and current trends in humanization and premiumization in the pet industry, as well as favorable pet ownership demographics. To the extent these trends slow or reverse, our sales and profitability would be adversely affected. In particular, COVID-19 has driven an increase in pet ownership and consumer demand for our products that may not be sustained or may reverse at any time. The success of our business depends in part on our ability to identify and respond to evolving trends in demographics and consumer preferences. Failure to timely identify or effectively respond to changing consumer tastes, preferences, spending patterns and pet care needs could adversely affect our relationship with our customers, the demand for our products and services, our market share and our profitability.

The growth of our business depends in part on our ability to accurately predict consumer trends, successfully introduce new products and services, improve existing products and services, and expand into new offerings.

Our growth depends, in part, on our ability to successfully introduce, improve, and reposition our products and services to meet the requirements of pet parents. This, in turn, depends on our ability to predict and respond to evolving consumer trends, demands and preferences. Our ability to innovate is affected by the technical capability of our product development staff and third-party consultants in developing and testing new products, including complying with governmental regulations, our attractiveness as a partner for outside research and development scientists and entrepreneurs, the success of our management and sales team in introducing and marketing new products and service offerings, and our ability to leverage our digital and data capabilities to gather and respond to consumer feedback.

We may be unable to determine with accuracy when or whether any of our products or services now under development will be launched, and we may be unable to develop or otherwise acquire product candidates or products. Additionally, we cannot predict whether any such products or services, once launched, will be commercially successful. If we are unable to successfully develop or otherwise acquire new products or services, our business, financial condition and results of operations may be materially adversely affected.

Our continued success is substantially dependent on positive perceptions of Petco, including our owned or exclusive brands.

We believe that one of the reasons our customers prefer to shop at Petco, and that our partners choose Petco as a place of employment, is the reputation we have built over many years of serving our primary constituencies: customers, partners, and the communities in which we operate. These are core elements of the Petco mission and brand. To be successful in the future, we must continue to preserve, grow, and leverage the value of our reputation and our brand. Reputational value is based in large part on perceptions of subjective qualities, and even isolated incidents that erode trust and confidence, particularly if they result in adverse publicity or widespread reaction on social media, governmental investigations, or litigation, can have an adverse impact on these perceptions and lead to adverse effects on our business, including decreased comparable sales, consumer boycotts, loss of new pet care center development opportunities, lower partner morale and productivity, or partner recruiting difficulties.

In addition, we sell many products under our owned or private label brands. Maintaining consistent product quality, competitive pricing, and availability of our branded products for our customers is essential to developing and maintaining customer loyalty and brand awareness. These products often have higher margins than national brand products. If one or more of these brands experience a loss of consumer acceptance or confidence, our sales and gross margin could be adversely affected.

Competition in the markets in which we operate, including internet-based competition, is strong and if we are unable to compete effectively, our ability to generate sales may suffer and our operating income and net income could decline.

The pet care industry is highly competitive. We compete with a number of specialty pet store chains and independent pet stores. We also compete with online retailers, supermarkets, warehouse clubs and mass merchants. The pet care industry has become increasingly competitive due to the expansion of pet-related product offerings by certain supermarkets, warehouse clubs, other retail merchandisers, and online retailers, and the entrance of additional independent pet stores with unique product offerings and other pet specialty retailers into the pet food and pet supply market, some of which have developed store formats similar to ours. Some competitors are larger and have access to greater capital and the ability to invest in more resources than we do.

We may face greater competition from national, regional, local and online retailers in the future. In particular, if any of our major competitors seeks to gain or retain market share by reducing prices or by introducing additional products or services, we may be required to reduce prices on our key products or services or introduce new offerings in order to remain competitive, which may negatively affect our profitability and require a change in our operating strategies.

If consumer preferences change and thereby decrease the attractiveness of what we believe to be our competitive advantages, including our extensive product assortment, premium product offerings, competitive pricing, high-quality service offerings, and a unique customer experience, or if we fail to otherwise positively differentiate our customer experience from that of our competitors, our business and results of operations could be adversely affected.

We may be unable to execute our growth strategies successfully or manage and sustain our growth, and as a result, our business may be adversely affected.

Our strategies include expanding our veterinary service offerings and building out our digital and data capabilities, growing our market share in services like grooming and training, enhancing our owned brand portfolio, and introducing new offerings to better connect with our customers. However, we may not be able to execute on these strategies as effectively as anticipated. Our ability to execute on these strategies depends on a number of factors, including:

- whether we have adequate capital resources to expand our offerings and build out our digital and data capabilities;

- our ability to include veterinary services in our existing pet care centers or in our remodeled or relocated pet care centers;
- our ability to relocate our pet care centers and obtain favorable sites and negotiate acceptable lease terms;
- our ability to hire, train and retain skilled managers and personnel, including veterinarians, information technology professionals, owned brand merchants, and groomers and trainers; and
- our ability to continue to upgrade our information and other operating systems and to make use of the data that we collect through these systems to offer better products and services to our customers.

Our existing locations may not maintain their current levels of sales and profitability, and our growth strategies may not generate sales levels necessary to achieve pet care center level profitability comparable to that of our existing locations. To the extent that we are unable to execute on our growth strategies in accordance with our expectations, our sales growth would come primarily from the organic growth of existing product and service offerings.

We may experience difficulties recruiting and retaining skilled veterinarians due to shortages that could disrupt our business.

The successful growth of our veterinary services business depends on our ability to recruit and retain skilled veterinarians and other veterinary technical staff. We face competition from other veterinary service providers in the labor market for veterinarians, and from time to time, we may experience shortages of skilled veterinarians in markets in which we operate our veterinary service businesses, which may require us or our affiliated veterinary practices to increase wages and enhance benefits to recruit and retain enough qualified veterinarians to adequately staff our veterinary services operations. If we are unable to recruit and retain qualified veterinarians, or to control our labor costs, our business, financial condition, and results of operations may be materially adversely affected.

We face various risks as an e-commerce retailer.

As part of our growth strategy, we seek to further integrate our in-store and online operations and have made significant investments to integrate and grow our e-commerce business. We may require additional capital in the future to sustain or grow our e-commerce business. Business risks related to our e-commerce business include our inability to keep pace with rapid technological change, failure in our security procedures or operational controls, failure or inadequacy in our systems or labor resource levels to effectively process customer orders in a timely manner, government regulation and legal uncertainties with respect to e-commerce, and collection of sales or other taxes by one or more states or foreign jurisdictions. If any of these risks materialize, it could have an adverse effect on our business.

In some circumstances, increased transactions through our website may result in reduced customer traffic in our pet care centers, particularly as customers take advantage of home delivery services available for online orders when making certain types of purchases, such as for bulk orders or heavy pet products. There is a risk that any such reduced customer traffic may reduce the sales of certain products and services in our pet care centers. The availability of free shipping of online and “extended aisle” orders increases our costs and could adversely affect our profitability.

In addition, as other internet retailers have increased market share in recent years, we have faced increased competition, and may continue to face increased competition in the future, from internet retailers who enter the market. Our failure to positively differentiate our product and services offerings or customer experience from these internet retailers could have a material adverse effect on our business, financial condition and results of operations.

If we fail to generate or obtain sufficient capital to finance our growth strategies, we may be unable to sustain our growth and our business may be adversely affected.

Our growth rate depends, to a large degree, on the availability of adequate capital to fund the expansion of our offerings, including veterinary services and digital capabilities, which in turn will depend in large part on cash flow generated by our business and the availability of equity and debt capital. We cannot assure you that we will be able to maintain sufficient cash flow or obtain sufficient equity or debt capital on acceptable terms, or at all, to support our expansion plans.

Moreover, the credit agreements governing the senior secured credit facilities contain provisions that restrict the amount of debt we may incur in the future, and certain other covenants that may restrict or impair our growth plans. If we are not successful in generating or obtaining sufficient capital, we may be unable to invest in our growth, which may adversely affect our results of operations.

We depend on key personnel, and if we lose the services of any of our principal executive officers, we may not be able to run our business effectively.

We are dependent upon the efforts of our principal executive officers. The loss of any of our principal executive officers could affect our ability to run our business effectively. Our success will depend on our ability to retain our current management and to attract and retain qualified personnel in the future. Competition for senior management personnel is intense, and we cannot assure you that we can retain our personnel. The loss of a member of senior management requires the remaining executive officers to divert immediate and substantial attention to seeking a replacement. The inability to fill vacancies in our senior executive positions on a timely basis could adversely affect our ability to implement our business strategy, which would negatively impact our results of operations.

The loss of any of our key merchandise vendors, or of any of our exclusive distribution arrangements with certain of our vendors, would negatively impact our business.

We purchase significant amounts of products from a number of vendors with limited supply capabilities. There can be no assurance that our current pet food or supply vendors will be able to accommodate our anticipated growth and expansion of our locations and e-commerce business. As a result of the disruptions resulting from COVID-19, some of our existing vendors have not been able to supply us with products in a timely or cost-effective manner. While we believe these disruptions to be temporary, a continued inability of our existing vendors to provide products or other product supply disruptions that may occur in the future could impair our business, financial condition, and results of operations. To date, vendor-related supply challenges have not had a material effect on our business or our sales and profitability. We do not maintain long-term supply contracts with any of our merchandise vendors. Any vendor could discontinue selling to us at any time. Although we do not materially rely on any particular vendor, the loss of any of our significant vendors of pet food, particularly premium pet food, or pet supplies that we offer could have a negative impact on our business, financial condition, and results of operations.

We continually seek to expand our base of pet food and supply vendors and to identify new pet products. If we are unable to identify or enter into distribution relationships with new vendors or to replace the loss of any of our existing vendors, we may experience a competitive disadvantage, our business may be disrupted, and our results of operations may be adversely affected.

Most of the premium pet food brands that we purchase are not widely carried in supermarkets, warehouse clubs, or mass merchants. If any premium pet food manufacturers were to make premium pet food products widely available in supermarkets or through mass merchants, or if the premium brands currently available to supermarkets and mass merchants were to increase their market share at the expense of the premium brands sold only through specialty pet food and supplies retailers, our ability to attract and retain customers or our competitive position may suffer. Further, if supermarkets, warehouse clubs, or mass merchants begin offering any of these premium pet food brands at lower prices, our sales and gross margin could be adversely affected.

Several of the pet food brands and product lines we currently purchase and offer for sale to our customers are not offered by our closest pet specialty competitor. However, in most cases, we have not entered into formal exclusivity agreements with the vendors for such brands. In the event these vendors choose to enter into distribution arrangements with other specialty pet retailers or other competitors our sales could suffer and our business could be adversely affected.

Our principal vendors currently provide us with certain incentives such as volume purchasing, trade discounts, cooperative advertising and market development funds. A reduction or discontinuance of these incentives would increase our costs and could reduce our profitability.

We face various risks related to health epidemics, pandemics, and similar outbreaks, such as the recent outbreak of COVID-19, which may materially and adversely affect our business, financial position, results of operations, and cash flows.

Our business and financial results have been, and could be in the future, adversely affected by health epidemics, pandemics, and similar outbreaks. The COVID-19 outbreak has been declared a pandemic by the World Health Organization and continues to spread in the United States and in many other countries globally. As a result of the COVID-19 pandemic, we have reduced operations in many of our pet care centers, which has decreased our pet care center revenues and may continue to adversely affect such revenues for an uncertain period of time. Despite our efforts to manage these matters, their ultimate effects also depend on factors beyond our knowledge or control, including the duration, severity, and recurrence of any outbreak and actions taken to contain its spread and mitigate its public health effects. The pandemic may continue to adversely affect our business, financial position, results of operations, and cash flows, including by resulting in (i) significant volatility in demand for our products and services, (ii) changes in consumer behavior and preferences, (iii) disruptions of our manufacturing and supply chain operations, (iv) disruption of our cost saving programs and restructuring initiatives, (v) limitations on our employees' ability to work and travel, and (vi) changes to economic or political conditions in markets in which we operate.

As a result of COVID-19, many of our personnel are working remotely, and it is possible that this could have a negative impact on the execution of our business plans and operations. If a natural disaster, power outage, connectivity issue, or other event occurred that impacted our employees' ability to work remotely, it may be difficult or, in certain cases, impossible, for us to continue our business for a substantial period of time. The increase in remote working may also result in consumer privacy, IT security and fraud concerns as well as increase our exposure to potential wage and hour issues.

Further, as a result of COVID-19, the operations of our pet care centers and distribution centers have been, and could be in the future, substantially disrupted by federal or state mandates ordering shutdowns of non-essential services or by the inability of our employees to travel to work. Our expansion plans for pet care centers, veterinary services, and distribution centers may also be delayed by or become costlier due to the continuing spread of COVID-19. Disruptions to the operations of our pet care centers and distribution centers and delays or increased costs in the expansion of our pet care center or distribution center capacity may negatively impact our financial performance and slow our future growth.

The uncertainty around the duration of business disruptions and the extent of the spread of the virus in the United States and to other areas of the world will likely continue to adversely impact the national or global economy and negatively impact consumer spending. Any of these outcomes could have a material adverse impact on our business, financial condition, results of operations, and ability to execute and capitalize on our strategies. The full extent of COVID-19's impact on our operations and financial performance depends on future developments that are uncertain and unpredictable, including the duration and spread of the pandemic, any long-term health impacts on any partners who have been infected with COVID-19, its impact on capital and financial markets, and any new information that may emerge concerning the severity of the virus and its spread to other regions, as well as the actions taken to contain it, among others.

In the weeks leading up to stay-at-home conditions in March and April 2020, consumer demand for our products, specifically essential pet food, surged. During this surge, we could not fulfill demand for all of our product orders. If such surges outpace our capacity build or occur at unexpected times, we may be unable to fully meet our customers' demands for our products. Further, it is unknown what impact a "second wave" of outbreaks in 2020 or beyond could have on our operations and workforce. Such impacts could include effects on our business and operations from additional government restrictions on travel, shipping, and workforce activities, including stay-at-home orders.

A disruption, malfunction, or increased costs in the operation, expansion or replenishment of our distribution centers or our supply chain would affect our ability to deliver to our locations and e-commerce customers or increase our expenses, which could harm our sales and profitability.

Our vendors generally ship merchandise to one or more of our distribution centers, which receive and allocate merchandise to our locations and e-commerce customers. The success of our pet care centers depends on their timely receipt of merchandise. If any shipped merchandise were to be delayed because of the impact of weather on transnational shipping, particularly from our vendors in Asia, our operations would likely be significantly disrupted. Disruption to shipping and transportation channels due to slowdowns or work stoppages at ports on the West Coast of the United States have occurred in the past, and to the extent they occur in the future, could cause us to rely more heavily on airfreight to achieve timely delivery to our customers, resulting in significantly higher freight costs. We may not be able to pass all or any portion of these higher costs on to our customers or adjust our pricing structure in a timely manner in order to remain competitive, either of which could have a material adverse effect on our results of operations.

We have faced labor shortages at several of our distribution centers due to factors directly or indirectly related to COVID-19, which has adversely affected our results of operations. If any of our distribution centers were to shut down, continue to suffer substantial labor shortages, or lose significant capacity for any reason, our operations would likely be significantly disrupted. We compete with other retailers for the supply of personnel to staff our distribution centers, some of whom are larger than us and have access to greater capital resources than we do. If we are unable to successfully recruit and retain personnel to staff our distribution centers, we may face labor shortages or be forced to increase wages and enhance benefits for such personnel, which may have an adverse effect on our results of operations. In addition, any interruption or malfunction in our distribution operations, including, but not limited to, the loss of a key vendor that provides transportation of merchandise to or from our distribution centers, or regulatory issues with respect to any of our distribution centers, could adversely affect our sales and results of operations. An interruption in our inventory supply chain could result in out-of-stock or excess merchandise inventory levels or adversely affect our ability to make timely deliveries to e-commerce customers, and could adversely affect our sales and results of operations.

Our operations are subject to extensive governmental regulation, and we may incur material liabilities under, or costs in order to comply with, existing or future laws and regulations. Our failure to comply with such laws and regulations may result in enforcements, recalls, and other adverse actions that could disrupt our operations and adversely affect our financial results.

Our operations, including some of our vendors, are subject to federal, state, and local laws and regulations established by the Occupational Safety and Health Administration ("OSHA"), the U.S. Food and Drug Administration (the "FDA"), the U.S. Department of Agriculture (the "USDA"), the Drug Enforcement Administration (the "DEA"), the U.S. Environmental Protection Agency (the "EPA"), the National Labor Relations Board, and by various other federal, state, local, and foreign authorities. These laws and regulations govern, among other things, our relationships with employees, including minimum wage requirements, overtime, terms and conditions of employment, working conditions, and citizenship requirements; the weights and measures of our products; the manufacturing and distribution of foods, drugs, and controlled substances intended for animal use; our businesses that provide veterinary services and pet insurance plans; the transportation, handling, and sale of small pets;

emissions to air and water and the generation, handling, storage, discharge, transportation, disposal, and remediation of waste and hazardous materials; the processing, storage, distribution, safety, advertising, labeling, promotion, and import or export of our products; providing services to our customers; contracted services with various third-party providers; credit and debit card processing; the handling, security, protection, and use of customer and associate information; and the licensing and certification of services. In addition, we are subject to a wide range of state and local regulations relating to COVID-19, which are frequently changing. Read “Business—Government Regulation.”

Violations of or liability under applicable laws and regulations may result in administrative, civil or criminal fines, penalties or sanctions against us, revocation or modification of applicable permits, licenses, or authorizations, environmental, health and safety investigations or remedial activities, voluntary or involuntary product recalls, warning or untitled letters or cease and desist orders against operations that are not in compliance, or third-party liability claims against us, among other things. Such laws and regulations generally have become more stringent over time and may become more so in the future, and we may incur (directly, or indirectly through our outsourced private brand manufacturing partners) material costs to comply with current or future laws and regulations or in any required product recalls. Some of these laws and regulations are subject to varying and uncertain interpretations, application, and enforcement by courts and regulatory authorities with broad discretion, which can mean that our efforts to maintain compliance in all jurisdictions are not always successful. Liabilities under, costs of compliance with, and the impacts on us of any alleged or determined non-compliance with any such laws and regulations could materially and adversely affect our business, reputation, financial condition, and results of operations. In addition, changes in the laws and regulations to which we are subject could impose significant limitations and require changes to our business, which may increase our compliance expenses, make our business costlier and less efficient to conduct, and compromise our growth strategy. Although we routinely obtain broad indemnities from our vendors in respect of their products, we could be adversely affected if we were found not to be in compliance with applicable regulations and we were not made whole by our vendors.

Among other regulatory requirements, the FDA regulates the inclusion of specific claims in pet food labeling. For example, pet food products that are labeled or marketed with claims that may suggest that they are intended to treat or prevent disease in pets would potentially meet the statutory definitions of both a food and a drug. The FDA has issued guidance containing a list of specific factors it will consider in determining whether to initiate enforcement action against such products if they do not comply with the regulatory requirements applicable to drugs. These factors include, among other things, whether the product is only made available through or under the direction of a veterinarian and does not present a known safety risk when used as labeled. While we believe that we market our products in compliance with the policy articulated in FDA’s guidance and in other claim-specific guidance, the FDA may disagree or may classify some of our products differently than we do, and may impose more stringent regulations which could lead to alleged regulatory violations, enforcement actions, and/or product recalls. In addition, we may produce new products in the future that may be subject to FDA pre-market review before we can market and sell such products. Our distribution centers are also subject to periodic inspection by the FDA or other governmental authorities.

Currently, many states in the United States have adopted the Association of American Feed Control Officials (the “AAFCO”) definition of the term “natural” with respect to the pet food industry, which means a feed or feed ingredient derived solely from plant, animal, or mined sources, not having been produced by or subject to a chemically synthetic process and not containing any additives or processing aids that are chemically synthetic except in amounts as might occur in good manufacturing practices. Certain of our pet food products use the term “natural” in their labelling or marketing materials. As a result, we may incur material costs to comply with any new labeling requirements relating to the term “natural” and could be subject to liabilities if we fail to timely comply with such requirements, which could have a material adverse effect on our business, financial condition, and results of operations.

Failure to comply with governmental regulations or the expansion of existing or the enactment of new laws or regulations applicable to our veterinary services could adversely affect our business and our financial condition or lead to fines, litigation, or our inability to offer veterinary products or services in certain states.

All of the states in which we operate impose various registration, permit, and/or licensing requirements relating to the provision of veterinary products and services. To fulfill these requirements, we believe that we have registered with appropriate governmental agencies and, where required, have appointed a licensed veterinarian to act on behalf of each facility. All veterinarians practicing in our veterinary service businesses are required to maintain valid state licenses to practice.

In addition, certain states have laws, rules, and regulations which require that veterinary medical practices be owned by licensed veterinarians and that corporations which are not owned by licensed veterinarians refrain from providing, or holding themselves out as providers of, veterinary medical care, or directly employing or otherwise exercising control over veterinarians providing such care. We may experience difficulty in expanding our operations into other states or jurisdictions with similar laws, rules, and regulations. Our provision of veterinary services through tele-veterinarian offerings is also subject to an evolving set of state laws, rules, and regulations. Although we believe that we have structured our operations to comply with our understanding of the veterinary medicine laws of each state or jurisdiction in which we operate, interpretive legal precedent and regulatory guidance varies by jurisdiction and is often sparse and not fully developed. A determination that we are in violation of applicable restrictions on the practice of veterinary medicine in any jurisdiction in which we operate could have a material adverse effect on us, particularly if we are unable to restructure our operations to comply with the requirements of that jurisdiction.

We strive to comply with all applicable laws, regulations and other legal obligations applicable to our veterinary services. It is possible, however, that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another or may conflict with other rules or our practices. We cannot guarantee that our practices have complied, comply, or will comply fully with all such laws, regulations, requirements, and obligations. Any failure, or perceived failure, by us to comply with our filed permits and licenses with any applicable federal-, state-, or international-related laws, industry standards or codes of conduct, regulatory guidance, orders to which we may be subject, or other legal obligations relating to privacy or consumer protection could adversely affect our reputation, brand, and business, and may result in claims, proceedings or actions against us by governmental entities or others or other liabilities. Any such claim, proceeding, or action could hurt our reputation, brand and business, force us to incur significant expenses in defending such proceedings, distract our management, increase our costs of doing business, result in a loss of customers and vendors, and may result in the imposition of monetary liability. We may also be contractually liable to indemnify and hold harmless third parties from the costs or consequences of non-compliance with any laws or regulations applicable to our veterinary services. In addition, various federal, state, and foreign legislative and regulatory bodies may expand existing laws or regulations, enact new laws or regulations, or issue revised rules or guidance applicable to our veterinary services. Any such changes may force us to incur substantial costs or require us to change our business practices. This could compromise our ability to pursue our growth strategy effectively and may adversely affect our ability to acquire customers or otherwise harm our business, financial condition, and results of operations.

We occasionally seek to grow our business through acquisitions of or investments in new or complementary businesses, products or services, or through strategic ventures, and the failure to successfully identify these opportunities, manage and integrate these acquisitions, investments, or alliances, or to achieve an adequate return on these investments, could have an adverse effect on us.

The pet care industry is highly fragmented. We have completed acquisitions in the past and may pursue expansion and acquisition opportunities in the future. If we are unable to manage acquisitions, investments, or strategic ventures, or integrate any acquired businesses, services, or technologies effectively, we may not realize the expected benefits from the transaction relative to the consideration paid, and our business, financial condition, and results of operations may be adversely affected. To be successful, the integration process requires us to achieve the benefits of combining the companies, including generating operating efficiencies and synergies and eliminating or reducing redundant costs. This integration process involves inherent uncertainties, and we cannot assure you that the anticipated benefits of these acquisitions will be fully realized without incurring unanticipated costs or diverting management's attention from our core operations.

From time to time we also make strategic investments. These investments typically involve many of the same risks posed by acquisitions, particularly those risks associated with the diversion of our resources, the inability of the new venture to generate sufficient revenues, the management of relationships with third parties, and potential expenses. Strategic ventures have the added risk that the other strategic venture partners may have economic, business, or legal interests or objectives that are inconsistent with our interests and objectives.

Further, we may be unsuccessful in identifying and evaluating business, legal, or financial risks as part of the due diligence process associated with a particular transaction. In addition, some investments may result in the incurrence of debt or may have contingent consideration components that may require us to pay additional amounts in the future in relation to future performance results of the subject business. If we do enter into agreements with respect to these transactions, we may fail to complete them due to factors such as failure to obtain regulatory or other approvals. We may be unable to realize the full benefits from these transactions, such as increased net sales or enhanced efficiencies, within the timeframes that we expect or at all. These events could divert attention from our other businesses and adversely affect our business, financial condition, and results of operations. Any future acquisitions also could result in potentially dilutive issuances of equity securities, the incurrence of additional debt, or the assumption of contingent liabilities.

We are subject to risks related to online payment methods.

We currently accept payments using a variety of methods, including credit cards, debit cards, Paypal, and gift cards. As we offer new payment options to consumers, we may be subject to additional regulations, compliance requirements, fraud, and other risks. For certain payment methods, we pay interchange and other fees, which may increase over time and raise our operating costs and lower profitability. As a merchant that accepts debit and credit cards for payment, we are subject to the Payment Card Industry ("PCI") Data Security Standard ("PCI DSS"), issued by the PCI Council. PCI DSS contains compliance guidelines and standards with regard to our security surrounding the physical administrative and technical storage, processing, and transmission of individual cardholder data. By accepting debit cards for payment, we are also subject to compliance with American National Standards Institute data encryption standards and payment network security operating guidelines. Failure to be PCI compliant or to meet other payment card standards may result in the imposition of financial penalties or the allocation by the card brands of the costs of fraudulent charges to us. As well, the Fair and Accurate Credit Transactions Act requires systems that print payment card receipts to employ personal account number truncation so that the customer's full account number is not viewable on the slip.

Further, as our business changes, we may be subject to different rules under existing standards, which may require new assessments that involve costs above what we currently pay for compliance. In the future, as we offer new payment options to consumers, including by way of integrating emerging mobile and other payment methods, we may be subject to additional regulations, compliance requirements, and fraud. If we fail to comply with the rules or requirements of any provider of a payment method we accept, if the volume of fraud in our transactions limits or terminates our rights to use payment methods we currently accept, or if a data breach occurs relating to our payment systems, we may, among other things, be subject to fines, legal proceedings, or higher transaction fees and may lose, or face restrictions placed upon, our ability to accept credit card payments from consumers or facilitate other types of online payments. If any of these events were to occur, our business, financial condition, and results of operations could be materially and adversely affected.

We also occasionally receive orders placed with fraudulent data. If we are unable to detect or control fraud, our liability for these transactions could harm our business, financial condition, and results of operations.

Our marketing programs, e-commerce initiatives, and use of consumer information are governed by an evolving set of laws and enforcement trends, and changes in privacy laws or trends, or our failure to comply with existing or future laws, could substantially harm our business and results of operations.

We collect, maintain, use, and share consumer data provided to us through online activities and other consumer interactions in our business in order to provide a better experience for our customers. Our current and future marketing programs depend on our ability to collect, maintain, use and share this information with service providers, and our ability to do so depends on the trust that our customers place in us and our ability to maintain that trust. Additionally, our use of consumer data is subject to the terms of our privacy policies and certain contractual restrictions in third-party contracts as well as evolving federal, state, and international laws and enforcement trends. While we strive to comply with all such regulatory and contractual obligations and believe that we are good stewards of our customers' data, this area is rapidly evolving, and it is possible that these requirements may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another, may conflict with other rules, or may conflict with our practices. If so, we may suffer damage to our reputation and be subject to proceedings or actions against us by governmental entities or others. Any such proceeding or action could hurt our reputation, force us to spend significant amounts to defend our practices, distract our management, increase our costs of doing business, and result in monetary liability.

One of the ways we track consumer data and interactions for marketing purposes is through the use of third-party "cookies." Federal and state governmental authorities continue to evaluate the privacy implications inherent in the use of third-party cookies and other methods of online tracking for behavioral advertising and other purposes. The U.S. government has enacted, has considered, or is considering legislation or regulations that could significantly restrict the ability of companies and individuals to engage in these activities, such as by regulating the level of consumer notice and consent required before a company can employ cookies or other electronic tracking tools or the use of data gathered with such tools. Additionally, some providers of consumer devices and web browsers have implemented, or announced plans to implement, means to make it easier for internet users to prevent the placement of cookies or to block other tracking technologies, which could if widely adopted result in the use of third-party cookies and other methods of online tracking becoming significantly less effective. The regulation of the use of these cookies and other current online tracking and advertising practices or a loss in our ability to make effective use of services that employ such technologies could increase our costs of operations and limit our ability to acquire new customers on cost-effective terms and, consequently, materially and adversely affect our business, financial condition, and results of operations.

In addition, various federal and state legislative and regulatory bodies, or self-regulatory organizations, may expand or further enforce current laws or regulations, enact new laws or regulations, or issue revised rules or guidance regarding privacy, data protection, consumer protection, and advertising. For example, in June 2018, California enacted the California Consumer Privacy Act (the "CCPA"), which took effect on January 1, 2020. The CCPA gives California residents expanded rights to access and delete their personal information, opt out of certain sales of personal information, and receive detailed information about what personal information is collected, how their personal information is used, and how that personal information is shared. The CCPA provides for civil penalties for violations enforced by the California Attorney General, as well as a private right of action for data breaches that is expected to increase data breach litigation. Further, on November 3, 2020, the California Privacy Rights Act (the "CPRA") was voted into law by California residents. The CPRA significantly amends the CCPA, and imposes additional data protection obligations on companies doing business in California, including additional consumer rights processes and opt outs for certain uses of sensitive data. It also creates a new California data protection agency specifically tasked to enforce the law, which could result in increased regulatory scrutiny of California businesses in the areas of data protection and security. The substantive requirements for businesses subject to the CPRA will go into effect on January 1, 2023, and become enforceable on July 1, 2023. Some observers have noted that the CCPA and CPRA could mark the beginning of a trend toward more stringent state privacy legislation in the United States. Similar laws have been proposed in other states and at the federal level, and if passed, such laws may have potentially conflicting requirements that would make compliance challenging. We have incurred and may continue to incur costs to adapt our systems and practices to comply with the current CCPA requirements and these costs may adversely affect our financial condition and results of operations. Additionally, the Federal Trade Commission (the "FTC"), and many state attorneys general are interpreting existing federal and state consumer protection laws to impose evolving standards for the online collection, use, dissemination, and security of other personal data. Courts may also adopt the standards for fair information practices promulgated by the FTC, which concern consumer notice, choice, security, and access. Consumer protection laws require us to publish statements that describe how we handle personal data and choices individuals may have about the way we handle their personal data. If such information that we publish is considered untrue, we may be subject to government claims of unfair or deceptive trade practices, which could lead to significant liabilities and consequences. Further, according to the FTC, violating consumers' privacy rights or failing to take appropriate steps to keep consumers' personal data secure may constitute unfair acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act.

Each of these privacy, security, and data protection laws and regulations—and others, including the CAN-SPAM Act of 2003, regulating our use of certain electronic mail marketing and state data breach notification laws requiring notifications to state residents in certain instances—and any other such changes or new laws or regulations, could impose significant limitations, require changes to our business, or restrict our use or storage of personal information, which may increase our compliance expenses and make our business costlier or less efficient to conduct. In addition, any such changes could compromise our ability to develop an adequate marketing strategy and pursue our growth strategy effectively, which, in turn, could adversely affect our business, financial condition, and results of operations.

We face the risk of litigation resulting from unauthorized text messages sent in violation of the Telephone Consumer Protection Act.

We send short message service, or SMS, text messages to customers. The actual or perceived improper sending of text messages may subject us to potential risks, including liabilities or claims relating to consumer protection laws. Numerous class-action suits under federal and state laws have been filed in recent years against companies who conduct SMS texting programs, with many resulting in multi-million-dollar settlements to the plaintiffs. Any future such litigation against us could be costly and time-consuming to defend. For example, the Telephone Consumer Protection Act of 1991, a federal statute that protects consumers from unwanted telephone calls, faxes and text messages, restricts telemarketing and the use of automated SMS text messages without proper consent. Federal or state regulatory authorities or private litigants may claim that the notices and disclosures we provide, form of consents we obtain or our SMS texting practices are not adequate or violate applicable law. This may in the future result in civil claims against us. The scope and interpretation of the laws that are or may be applicable to the delivery of text messages are continuously evolving and developing. If we do not comply with these laws or regulations or if we become liable under these laws or regulations, we could face direct liability, could be required to change some portions of our business model, could face negative publicity, and our business, financial condition and results of operations could be adversely affected. Even an unsuccessful challenge of our SMS texting practices by our customers, regulatory authorities, or other third parties could result in negative publicity and could require a costly response from and defense by us.

Our reputation and business may be harmed if our or our vendors' computer network security or any of the databases containing customer, employee, or other personal information maintained by us or our third-party providers is compromised, which could materially adversely affect our results of operations.

We collect, store, and transmit proprietary or confidential information regarding our customers, employees, job applicants, and others, including credit card information and personally identifiable information. We also collect, store, and transmit employees' health information in order to administer employee benefits; accommodate disabilities and injuries; to comply with public health requirements; and to mitigate the spread of COVID-19 in the workplace. The protection of customer, employee, and company data in the information technology systems we use (including those maintained by third-party providers) is critical. In the normal course of business, we are and have been the target of malicious cyber-attack attempts and have experienced other security incidents. For example, in September 2020, we discovered malware designed to illegally access our customers' credit card information had been installed on the website of one of our business units. We engaged a cybersecurity firm to assist us in launching an investigation, and took steps to remediate the breach, including shutting down the impacted systems to prevent unauthorized access to customer data. Our investigation revealed that customers' personal information exposed in this incident included names, email addresses, addresses, credit card numbers, credit card expiration dates, credit card CVV codes and account passwords. We notified state regulators and the affected individuals. In October 2020, we received a demand letter from legal counsel for two individuals in connection with this incident claiming violations of various provisions of California law and asserting other common law causes of action. This demand letter also stated the intention to seek relief on behalf of similarly situated customers. Our evaluation of this demand letter is ongoing.

While to date, we do not believe such identified security events have been material or significant to us, including to our reputation or business operations, or had a material financial impact, we can not assure you that such incidents or future cyber-attacks will not expose us to material liability. Security could be compromised and confidential information, such as customer credit card numbers, employee information, or other personally identifiable information that we or our vendors collect, transmit, or store, could be misappropriated or system disruptions could occur. In addition, cyber-attacks such as ransomware attacks could lock us out of our information systems and disrupt our operations. We may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Attacks may be targeted at us, our customers, our employees, or others who have entrusted us with information. Actual or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts and consultants. Advances in computer capabilities, new technological discoveries, or other developments may result in the breach or compromise of the technology used by us to protect transactions or other sensitive data. In addition, data and security breaches could also occur as a result of non-technical issues, including intentional or inadvertent breach by our employees or by persons with whom we have commercial relationships, that result in the unauthorized release of personal or confidential information. Any compromise or breach of our or our vendors' computer network security could result in a violation of applicable privacy and other laws, costly investigations, litigation, including class actions, and notification, as well as potential regulatory or other actions by governmental agencies and harm to our brand, business, and results of operations. As a result of any of the foregoing, we could experience adverse publicity, loss of sales, the cost of remedial measures and significant expenditures to reimburse third parties for damages, which could adversely impact our results of operations. Any insurance we maintain against the risk of this type of loss may not be sufficient to cover actual losses or may not apply to the circumstances relating to any particular loss.

The techniques used by criminals to obtain unauthorized access to sensitive data change frequently and often cannot be recognized until launched against a target. Accordingly, we or our vendors may not be able to anticipate these frequently changing techniques or implement adequate preventive measures for all of them. Failure by us or our vendors to comply with data security requirements, including the CCPA's new "reasonable security" requirement in light of the private right of action, or rectify a security issue may result in class action litigation, fines and the imposition of restrictions on our ability to accept payment cards, which could adversely affect our operations. We cannot assure you that we or our vendors will be able to satisfy the PCI data security standards. In addition, PCI is controlled by a limited number of vendors that have the ability to impose changes in fee structures and operational requirements without negotiation. Such changes in fees and operational requirements may result in our failure to comply with PCI security standards, as well as significant unanticipated expenses. Any unauthorized access into our customers' sensitive information, or other data handled by or on behalf of us, even if we are compliant with industry security standards, could put us at a competitive disadvantage, result in deterioration of our customers' confidence in us, and subject us to potential litigation, liability, fines, and penalties and consent decrees, which could require us to expend significant resources related to remediation or result in a disruption of our operations, any of which could have a material adverse effect on our business, financial condition, and results of operations.

If our information systems or infrastructure fail to perform as designed or are interrupted for a significant period of time, our business could be adversely affected.

The efficient operation of our business is dependent on our information systems. In particular, we rely on our information systems to effectively manage our financial and operational data, to maintain our in-stock positions, and to transact the sale of our products in our pet care centers. The failure of our information systems to perform as designed, loss of data, or any interruption of our information systems for a significant period of time could disrupt our business.

Our operations also depend on our ability to maintain and protect the computer systems we use to manage our purchase orders, pet care center inventory levels, web applications, accounting functions, and other critical aspects of our business. Our systems are vulnerable to damage from fire, floods, earthquakes, power loss, telecommunications failures, terrorist and cyber-attacks, and similar events. Our disaster recovery planning may not be sufficient to adequately respond to any such events. In addition, we may have inadequate insurance coverage to compensate for any related losses and expenses. Any of these events could damage our reputation, disrupt our business, and be expensive to remedy.

We continue to invest in our information systems and IT infrastructure. Enhancement to or replacement of our major financial or operational information systems could have a significant impact on our ability to conduct our business operations and increase our risk of loss resulting from disruptions of normal operating processes and procedures that may occur during the implementation of new information systems. It may also require us to divest resources to ensure that implementation is successful. We can make no assurances that the costs of investments in our information systems will not exceed estimates, that the systems will be implemented without material disruption, or that the systems will be as beneficial as predicted. If any of these events occur, our results of operations could be adversely affected.

Negative publicity arising from claims that we do not properly care for animals we handle or sell could adversely affect how we are perceived by the public and reduce our sales and profitability.

From time to time we receive claims or complaints alleging that we do not properly care for some of the pets we handle or for companion animals we handle and sell, which may include dogs, cats, birds, fish, reptiles, and other small animals. Deaths or injuries sometimes occur while animals are in our care. As a result, we may be subject to claims that our animal care practices, including grooming, training, veterinary, and other services, or the related training of our associates, do not provide the proper level of care. Our efforts to establish our reputation as a "health and wellness" company increases the risk of claims or complaints regarding our practices. Any such claims or complaints, as well as any related news reports or reports on social media, even if inaccurate or untrue, could cause negative publicity, which in turn could harm our business and have a material adverse effect on our results of operations.

Our international operations and evolving foreign trade policy may result in additional market risks, which may adversely affect our business.

As our international operations grow, they may require greater management and financial resources. International operations require the integration of personnel with varying cultural and business backgrounds and an understanding of the relevant differences in the cultural, legal, and regulatory environments. Our results may be increasingly affected by the risks of our international activities, including:

- challenges anticipating or responding to the impact that local culture and market forces may have on local consumer preferences and trends;
- fluctuations in currency exchanges rates;
- changes in international staffing and employment issues;
- the imposition of taxes, duties, tariffs, or other trade barriers;
- shipping delays, such as the recent slowdown or work stoppage at ports on the West Coast, or customs delays;
- greater difficulty in utilizing and enforcing our intellectual property rights;
- the burden of complying with foreign laws, including regulatory regimes, tax laws, privacy laws, and financial accounting standards;
- political and economic instability and developments;
- issues or disputes arising with our joint venture partners, if any, in such operations; and
- the risk that COVID-19 spreads widely in any country where we have significant employee presence, facilities, or critical operations, thereby impairing our ability to manage day-to-day operations and service our customers, increasing our costs of operations, and resulting in potential losses in revenue.

Moreover, certain policies and statements of the President of the United States and senior administration officials have given rise to uncertainty regarding the future of international trade agreements and the United States' position on international trade. For example, the U.S. government has threatened to undertake a number of actions relating to trade with Mexico, including the closure of the border and the imposition of escalating tariffs on goods imported into the United States from Mexico. It remains unclear what additional actions, if any, the current U.S. administration will take with respect to trade relationships. Additional trade restrictions, including tariffs, quotas, embargoes, safeguards, and customs restrictions, could increase the cost or reduce the supply of products available to us and to our vendors based in the United States and may require us to modify our supply chain organization or other current business practices, any of which could harm our business, financial condition, and results of operations.

Our products are sourced from a wide variety of vendors, including from vendors overseas, particularly in China. In addition, some of the products that we purchase from vendors in the United States also depend, in whole or in part, on vendors located outside the U.S. In 2018 and 2019, the United States imposed significant tariffs on various products imported from China, including certain products we source from China. The United States has also stated that further tariffs may be imposed on additional products imported from China if a trade agreement is not reached. On January 15, 2020, a "phase one" trade deal was signed between the United States and China and was accompanied by a decision from the United States to cancel a plan to increase tariffs on an additional list of Chinese products. However, given the limited scope of the phase one agreement, concerns over the stability of bilateral trade relations remain. At this time, we cannot assure you that a broader trade agreement will be successfully negotiated between the United States and China to reduce or eliminate the existing tariffs.

If additional tariffs are imposed on our products, or other retaliatory trade measures are taken, our costs could increase and we may be required to raise our prices. Further, efforts to mitigate this tariff risk, including a shift of production to places outside of China, could result in increased costs and disruption to our operations. These potential outcomes could result in the loss of customers and adversely affect our operating performance. To mitigate tariff risks with China, we may also seek to shift production outside of China, which could result in increased costs and disruption to our operations.

Our quarterly operating results may fluctuate due to the timing of expenses, new pet care center openings, pet care center closures, and other factors.

Our expansion plans, including the timing of new and remodeled pet care centers and veterinary hospitals, and related pre-opening costs, the amount of net sales contributed by new and existing pet care centers, and the timing of and estimated costs associated with pet care center closings or relocations, may cause our quarterly results of operations to fluctuate. Further, new pet care centers and service offerings tend to experience higher payroll, advertising and other store-level expenses as a percentage of net sales than more mature pet care centers, and such openings also often contribute to lower pet care center operating margins until those pet care centers become established, which may result in quarterly fluctuations in operating results. Quarterly operating results are not necessarily accurate predictors of performance.

Quarterly operating results may also vary depending on a number of factors, many of which are outside our control, including:

- changes in our pricing policies or those of our competitors;
- our sales and channels mix and the relevant gross margins of the products and services sold;
- the hiring and retention of key personnel;
- wage and cost pressures;
- changes in fuel prices or electrical rates;
- costs related to acquisitions of businesses; and
- general economic factors.

Pet food safety, quality, and health concerns could adversely affect our business.

We could be adversely affected if consumers lose confidence in the safety and quality of our owned brand or vendor-supplied pet food products and supplies. Adverse publicity about these types of concerns, whether valid or not, may discourage consumers from buying the products in our locations or cause vendor production and delivery disruptions. The actual or perceived sale of contaminated pet food products by our vendors or us could result in product liability claims against our vendors or us and a loss of consumer confidence, which could have an adverse effect on our sales and operations. In addition, if our products are alleged to pose a risk of injury or illness, or if they are alleged to have been mislabeled, misbranded, or adulterated, or to otherwise be in violation of governmental regulations, we may need to find alternate ingredients for our products, delay production of our products, or discard or otherwise dispose of our products, which could adversely affect our results of operations. If this occurs after the affected product has been distributed, we may need to withdraw or recall the affected product. Given the difficulty in converting pet food customers, if we lose customers due to a loss of confidence in safety or quality, it may be difficult to reacquire such customers.

Restrictions imposed in reaction to outbreaks of animal diseases or COVID-19 could have a material adverse effect on our business, financial condition, and results of operations.

If animal diseases, such as mad cow disease, foot-and-mouth disease, or highly pathogenic avian influenza, also known as “bird flu,” impact the availability of the protein-based ingredients our vendors use in products, our vendors may be required to locate alternative sources for protein-based ingredients. Those sources may not be available to sustain our sales volumes, may be costlier, and may affect the quality and nutritional value of our products. If outbreaks of mad cow disease, foot-and-mouth disease, bird flu, or any other animal disease, or the regulation or publicity resulting therefrom impacts the cost of the protein-based ingredients we have in our products, or the cost of the alternative protein-based ingredients necessary for our products as compared to our current costs, we may be required to increase the selling price of our products to avoid margin deterioration. However, we may not be able to charge higher prices for our products without negatively impacting future sales volumes.

As a result of the disruptions resulting from COVID-19, some manufacturers of pork and other protein-based ingredients we use in our products were forced to shut down processing plants or take other adverse actions. While our supply chain was not disrupted, similar disruptions in the future due to COVID-19 or other outbreaks could potentially limit the supply of or increase prices for certain of meat proteins used in our pet food products, adversely affecting our business and results of operations.

Product recalls and product liability, as well as changes in product safety and other consumer protection laws, may adversely impact our operations, merchandise offerings, reputation, financial condition, results of operations, and cash flows.

We are subject to regulations by a variety of federal, state, and international regulatory authorities, including regulations regarding the safety and quality of our products. We purchase merchandise from several hundred different vendors. One or more of our vendors, including manufacturers of our owned or private label brand products, might not adhere to product safety requirements or our quality control standards, and we might not identify the deficiency before merchandise ships to our pet care centers. Any issues of product safety or allegations that our products are in violation of governmental regulations, including, but not limited to, issues involving products manufactured in foreign countries, could cause those products to be recalled. If our vendors fail to manufacture or import merchandise that adheres to our quality control standards, product safety requirements or applicable governmental regulations, our reputation and brands could be damaged, potentially leading to increases in customer litigation against us. Further, to the extent we are unable to replace any recalled products, we may have to reduce our merchandise offerings, resulting in a decrease in sales. If our vendors are unable or unwilling to recall products failing to meet our quality standards, we may be required to recall those products at a substantial cost to us. Moreover, changes in product safety or other consumer protection laws could lead to increased costs to us for certain merchandise, or additional labor costs associated with readying merchandise for sale. Long lead times on merchandise ordering cycles increase the difficulty for us to plan and prepare for potential changes to applicable laws. In the event that we are unable to timely comply with regulatory changes or regulators do not believe we are complying with current regulations applicable to us, significant fines or penalties could result, and could adversely affect our reputation, financial condition, results of operations, and cash flows.

Fluctuations in the prices and availability of certain commodities, such as rawhide, grains, and meat protein, could materially adversely affect our operating results.

The pet food and supplies industry is subject to risks related to increases in the price of and the availability of certain commodities used in the production of certain pet food and other pet-related products, specifically seed, wheat, and rice, as well as other materials such as rawhide, that are used in certain pet accessories. Additionally, increased human consumption or population increases may potentially limit the supply of or increase prices for certain of meat proteins used in animal feed. Historically, in circumstances where these price increases have resulted in our manufacturers or vendors increasing the costs we pay for our food products, we have been able to pass these increases on to customers. However, our ability to pass on increased purchase costs in the future will be significantly impacted by market conditions and competitive factors. If we are unable to pass on any increased purchase costs to customers, we may experience reduced margins, which could have a material adverse effect on our business, financial condition, and results of operations.

Failure to establish, maintain, protect, and enforce our intellectual property and proprietary rights or prevent third parties from making unauthorized use of our technology or our brand could harm our competitive position or require us to incur significant expenses to enforce our rights.

Our trademarks, such as Bond & Co., Good 2 Go, Good Lovin', Harmony, Imagitarium, Leaps & Bounds, Pals Rewards, Petco, PetCoach, PupBox, Reddy, Ruff & Mews, So Phresh, Vetco, Well & Good, WholeHearted, and You & Me are valuable assets that support our brand and consumers' perception of our products. We rely on trademark, copyright, trade secret, patent, and other intellectual property laws, as well as nondisclosure and confidentiality agreements and other methods, to protect our trademarks, trade names, proprietary information, technologies, and processes. We might not be able to obtain broad protection in the United States for all of our intellectual property. The protection of our intellectual property rights may require the expenditure of significant financial, managerial and operational resources. Moreover, the steps we take to protect our intellectual property may not adequately protect our rights or prevent third parties from infringing or misappropriating our proprietary rights, and we may be unable to broadly enforce all of our trademarks. Any of our patents, trademarks, or other intellectual property rights may be challenged by others or invalidated through administrative process or litigation. Our patent and trademark applications may never be granted. Additionally, the process of obtaining patent protection is expensive and time-consuming, and we may be unable to prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. Even if issued, there can be no assurance that these patents will adequately protect our intellectual property, as the legal standards relating to the validity, enforceability and scope of protection of patent and other intellectual property rights are uncertain. We also cannot be certain that others will not independently develop or otherwise acquire equivalent or superior technology or intellectual property rights. Further, our nondisclosure agreements and confidentiality agreements may not effectively prevent disclosure of our proprietary information, technologies and processes and may not provide an adequate remedy in the event of unauthorized disclosure of such information, which could harm our competitive position. In addition, effective intellectual property protection may be unavailable or limited for some of our trademarks and patents in some foreign countries. We might be required to expend significant resources to monitor and protect our intellectual property rights. For example, we may need to engage in litigation or similar activities to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of proprietary rights of others. However, we may be unable to discover or determine the extent of any infringement, misappropriation, or other violation of our intellectual property rights and other proprietary rights. Despite our efforts, we may be unable to prevent third parties from infringing upon, misappropriating or otherwise violating our intellectual property rights and other proprietary rights. Any such litigation, whether or not resolved in our favor, could require us to expend significant resources and divert the efforts and attention of our management and other personnel from our business operations. If we fail to protect our intellectual property, our business, financial condition and results of operations may be materially adversely affected.

We may be subject to intellectual property infringement claims or other allegations, which could result in substantial damages and diversion of management's efforts and attention.

We have obligations with respect to the non-use and non-disclosure of third-party intellectual property. The steps we take to prevent misappropriation, infringement, or other violation of the intellectual property of others may not be successful. From time to time, third parties have asserted intellectual property infringement claims against us and may continue to do so in the future. These risks have been amplified by the increase in third parties whose sole or primary business is to assert such claims. While we believe that our products and operations do not infringe in any material respect upon proprietary rights of other parties and/or that meritorious defenses would exist with respect to any assertions to the contrary, we may from time to time be found to infringe on the proprietary rights of others.

Any claims that our products, services or marketing materials infringe the proprietary rights of third parties, regardless of their merit or resolution, could be costly, result in injunctions against us or payment of damages by us, and may divert the efforts and attention of our management and technical personnel. We may not prevail in such proceedings given the complex technical issues and inherent uncertainties in intellectual property litigation. If such proceedings result in an adverse outcome, we could, among other things, be required to:

- pay substantial damages (potentially treble damages in the United States);
- cease the manufacture, use, distribution, or sale of the infringing products, operations, or services;
- discontinue the use of the infringing methods or processes;
- expend significant resources to develop non-infringing products, operations, or services or re-brand our business and products; and
- obtain a license from the third party claiming infringement, which may not be available on commercially reasonable terms, or may not be available at all.

If any of the foregoing occurs, our ability to compete could be affected or our business, financial condition, and results of operations may be materially adversely affected.

Our real estate leases generally obligate us for long periods, which subjects us to various financial risks.

We lease virtually all of our pet care center and distribution center locations generally for long terms. While we have the right to terminate some of our leases under specified conditions by making specified payments, we may not be able to terminate a particular lease if or when we would like to do so. If we decide to close pet care centers, we are generally required to continue paying rent and operating expenses for the balance of the lease term, or to pay to exercise rights to terminate, and the performance of any of these obligations may be expensive. When we assign or sublease vacated locations, we may remain liable for the lease obligations if the assignee or sublessee does not perform. In addition, when leases for the pet care centers in our ongoing operations expire, we may be unable to negotiate renewals, either on commercially acceptable terms, or at all, which could cause us to close pet care centers. Accordingly, we are subject to the risks associated with leasing real estate, which could have a material adverse effect on our operating results.

Further, the success of our pet care centers depends on a number of factors including the sustained success of the shopping center where the pet care center is located, consumer demographics, and consumer shopping habits and patterns. Changes in consumer shopping habits and patterns, reduced customer traffic in the shopping centers where our pet care centers are located, financial difficulties of our landlords, anchor tenants, or a significant number of other retailers, and shopping center vacancies or closures could impact the profitability of our pet care centers and increase the likelihood that our landlords fail to fulfill their obligations and conditions under our lease agreements. While we have certain remedies and protections under our lease agreements, the loss of business that could result if a shopping center should close or if customer traffic were to significantly decline as a result of lost tenants or improper care of the facilities or due to macroeconomic effects, including the impact of COVID-19, could have a material adverse effect on our financial position, results of operations, and cash flows.

We are party to routine litigation arising in the ordinary course of our business and may become involved in additional litigation, all of which could require time and attention from certain members of management and result in significant legal expenses.

We are involved in litigation arising in the ordinary course of business, including claims related to federal or state wage and hour laws, working conditions, product liability, consumer protection, advertising, employment, intellectual property, tort, privacy and data protection, disputes with landlords and vendors due to the disruptions caused by COVID-19, claims from customers or employees alleging failure to maintain safe premises with respect to protocols relating to COVID-19, and other matters. Even if we prevail, litigation can be time-consuming and expensive. An unfavorable outcome in one or more of these existing lawsuits, or future litigation to which we become a party, could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Changes in laws, accounting standards, and subjective assumptions, estimates, and judgments by management related to complex accounting matters could significantly affect our financial results.

Accounting principles generally accepted in the United States and related accounting pronouncements, implementation guidelines, and interpretations with regard to a wide range of matters relevant to our business are highly complex, continually evolving, and involve many subjective assumptions, estimates, and judgments by us. Changes in these rules or their interpretation, or changes in facts, underlying assumptions, estimates, or judgments by us could significantly impact our reported or expected financial performance.

Failure to attract and retain quality sales associates and experienced management personnel could adversely affect our performance.

Our performance depends on recruiting, developing, training, and retaining partners who are capable sales associates in large numbers and experienced management personnel. Our ability to meet our labor needs while controlling labor costs is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation, changing demographics, health and other insurance costs, and governmental labor and employment requirements. We have faced labor shortages and increased wage competition at several of our distribution centers due to factors directly or indirectly related to COVID-19, which has adversely affected our results of operations. In the event of increasing wage rates, if we fail to increase our wages competitively, the quality of our workforce could decline, causing our customer service to suffer, while increasing our wages could cause our earnings to decrease. If we do not continue to attract, train, and retain quality associates and management personnel, our performance could be adversely affected.

Labor disputes may have an adverse effect on our operations.

We are not currently party to a collective bargaining agreement with any of our employees. If we were to experience a union organizing campaign, this activity could be disruptive to our operations. We cannot assure you that some or all of our employees will not become covered by a collective bargaining agreement or that we will not encounter labor conflicts or strikes. Any labor disruptions could have an adverse effect on our business or results of operations and could cause us to lose customers.

Claims under our insurance plans and policies may differ from our estimates, which could adversely affect our results of operations.

We use a combination of insurance and self-insurance plans to provide for potential liabilities for workers’ compensation, general liability, business interruption, property and directors’ and officers’ liability insurance, vehicle liability, and employee health-care benefits. Our insurance coverage may not be sufficient, and any insurance proceeds may not be timely paid to us. In addition, liabilities associated with the risks that are retained by us are estimated, in part, by considering historical claims experience, demographic factors, severity factors, and other actuarial assumptions, and our business, financial condition, and results of operations may be adversely affected if these assumptions are incorrect.

We are subject to environmental, health, and safety laws and regulations that could result in costs to us.

In connection with the ownership and operations of our pet care centers and distribution centers, we are subject to laws and regulations relating to the protection of the environment and health and safety matters, including those governing the management and disposal of wastes and the cleanup of contaminated sites. We could incur costs, including fines and other sanctions, cleanup costs, and third-party claims, as a result of violations of or liabilities under environmental laws and regulations. Although we are not aware of any of our sites at which we currently have material remedial obligations, the imposition of remedial obligations as a result of the discovery of contaminants in the future could result in additional costs.

Resistance from veterinarians to authorize prescriptions or attempts/efforts on their part to discourage pet owners from purchasing from us could cause our sales to decrease and could adversely affect our financial condition and results of operations.

The laws and regulations relating to the sale and delivery of prescription pet medications vary from state to state, but generally require that prescription pet medications be dispensed with authorization from a prescribing veterinarian. Some veterinarians may decide to resist providing our customers with a copy of their pet's prescription or resist authorizing the prescription to the pharmacy staff of our fulfillment vendor, thereby effectively preventing us from filling such prescriptions under applicable law. Certain veterinarians may decide to discourage pet owners from purchasing from internet mail order pharmacies. If the number of veterinarians who refuse to authorize prescriptions to the pharmacy staff of our fulfillment vendor increases, or if veterinarians are successful in discouraging pet owners from purchasing from us, our sales could decrease and our financial condition and results of operations may be materially adversely affected.

We may fail to comply with various state or federal regulations covering the dispensing of prescription pet medications, including controlled substances, through our veterinary services businesses, which may subject us to reprimands, sanctions, probations, fines, or suspensions.

The sale and delivery of prescription pet medications and controlled substances through our veterinary services businesses are governed by extensive regulation and oversight by federal and state governmental authorities. The laws and regulations governing our operations and interpretations of those laws and regulations are increasing in number and complexity, change frequently, and can be inconsistent or conflicting. In addition, the governmental authorities that regulate our business have broad latitude to make, interpret, and enforce the laws and regulations that govern our operations and continue to interpret and enforce those laws and regulations more strictly and more aggressively each year. In the future, we may be subject to routine administrative complaints incidental to the dispensing of prescription pet medications through our veterinary services businesses.

If we are unable to maintain the licenses granted by relevant state authorities in connection with our dispensing of prescription pet medications, or if we become subject to actions by the FDA, the DEA, or other regulators, our dispensing of prescription medications to pet parents could cease and we may be subject to reprimands, sanctions, probations, or fines, which could have a material adverse effect on our business, financial condition, and results of operations.

Our results may be adversely affected by serious disruptions or catastrophic events, including public health issues, geopolitical events, and weather.

Geopolitical events, such as war or civil unrest in a country in which our vendors are located, or terrorist or military activities disrupting transportation, communication, or utility systems, local protests, and unrest and natural disasters such as hurricanes, tornadoes, floods, earthquakes, and other adverse weather and climate conditions, whether occurring in the United States or abroad, particularly during peak seasonal periods, could disrupt our operations or the operations of one or more of our vendors, or could severely damage or destroy one or more of our pet care centers or distribution centers located in the affected areas. For example, day-to-day operations, particularly our ability to receive products from our vendors or transport products to our pet care centers, could be adversely affected, or we could be required to close pet care centers or distribution centers in the affected areas or in areas served by the affected distribution center. These factors could also cause consumer confidence and spending to decrease or result in increased volatility in the United States and global financial markets and economy. These or other occurrences could significantly impact our operating results and financial performance.

Risks Related to Our Indebtedness

Our substantial indebtedness could adversely affect our cash flows and prevent us from fulfilling our obligations under existing debt agreements.

As of October 31, 2020, we and our subsidiaries had approximately $3,301 million of indebtedness outstanding ($2,405 million under the term loan facility, $750 million in Floating Rate Senior Notes, $132 million in 3.00% Senior Notes, and $14 million in finance lease obligations). As of October 31, 2020, $390 million of unused commitments were available to be borrowed under the revolving credit facility. This amount is net of $62 million of outstanding letters of credit and a $48 million borrowing base reduction for a shortfall in qualifying assets, net of reserves. Although we intend to repay a portion of our outstanding indebtedness as described in the "Use of Proceeds" section of this prospectus, we expect availability on our revolving credit facility to remain unchanged, subject to normal working capital requirements and borrowing base adjustments, and we will continue to have substantial indebtedness following completion of this offering, which could restrict our operations and could have important consequences. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to our existing indebtedness;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flows from operations to payments on our indebtedness, thereby reducing the availability of our cash flows to fund working capital and capital expenditures, and for other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and industry, which may place us at a competitive disadvantage compared to our competitors that have less debt;
- restrict us from making strategic acquisitions or other investments or cause us to make non-strategic divestitures; and
- limit, along with the financial and other restrictive covenants in the documents governing our indebtedness, among other things, our ability to obtain additional financing for working capital and capital expenditures, and for other general corporate purposes.

Please read "Recapitalization and Corporate Conversion" for more information regarding the recapitalization of our company that will be effected substantially contemporaneously with the completion of this offering, and please read "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" and "Description of Indebtedness" for descriptions of the senior secured credit facilities that will remain in place following the completion of this offering.

The agreements governing our indebtedness include restrictive covenants that limit our operating flexibility, which could harm our long-term interests.

The term loan facility and revolving credit facility all impose material restrictions on us. These restrictions, subject in certain cases to ordinary course of business and other exceptions, may limit our ability to engage in some transactions, including the following:

- incurring additional debt;
- paying dividends, redeeming capital stock, or making other restricted payments or investments;
- selling assets, properties, or licenses;

- creating liens on assets;
- entering into sale and lease-back transactions;
- undergoing a change in control;
- merging, consolidating, or disposing of substantially all assets;
- entering into new lines of business;
- entering into transactions with affiliates; and
- placing restrictions on the ability of subsidiaries to pay dividends or make other payments.

Any of these restrictions on our ability to operate our business in our discretion could adversely affect our business by, among other things, limiting our ability to adapt to changing economic, financial, or industry conditions and to take advantage of corporate opportunities, including opportunities to obtain debt financing, repurchase stock, refinance or pay principal on our outstanding debt, or complete acquisitions for cash or debt.

Any future debt that we incur may contain financial maintenance covenants. In addition, the revolving credit facility contains financial maintenance covenants that are triggered by certain conditions. Events beyond our control, including prevailing economic, financial, and industry conditions, could affect our ability to satisfy these financial maintenance covenants, and we cannot assure you that the we will satisfy them.

Any failure to comply with the restrictions of the term loan facility, revolving credit facility, and any subsequent financing agreements, including as a result of events beyond our control, may result in an event of default under these agreements, which in turn may result in defaults or acceleration of obligations under these agreements and other agreements, giving our lenders and other debt holders the right to terminate any commitments they may have made to provide us with further funds and to require us to repay all amounts then outstanding. Our assets and cash flow may not be sufficient to fully repay borrowings under our outstanding debt instruments. In addition, we may not be able to refinance or restructure the payments on the applicable debt. Even if we were able to secure additional financing, it may not be available on favorable terms.

Despite current indebtedness levels, we may incur substantial additional indebtedness in the future. This could further increase the risks associated with our substantial leverage.

We may incur substantial additional indebtedness in the future, which would increase our debt service obligations and could further reduce the cash available to invest in operations. The terms of the credit agreements governing the senior secured credit facilities allow us and our subsidiaries to incur additional indebtedness, subject to limitations. As of October 31, 2020, we and our subsidiaries had an additional $390 million of unused commitments available to be borrowed under the revolving credit facility. This amount is net of $62 million of outstanding letters of credit and a $48 million borrowing base reduction for a shortfall in qualifying assets, net of reserves. If new debt is added to our debt levels, or any debt is incurred by our subsidiaries, the related risks that we and our subsidiaries now face could increase.

To service our indebtedness, we will require a significant amount of cash. Our ability to generate or access cash depends on many factors beyond our control.

Our ability to make payments on and refinance our indebtedness and to fund planned capital expenditures, will depend on our ability to generate or access cash in the future. This ability is subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond our control.

We cannot assure you that our business will generate sufficient cash flows from operations or that future borrowings will be available to us under the senior secured asset-based revolving credit facility in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. Further, we cannot assure you that we will be able to refinance any of our indebtedness, including the senior secured credit facilities, on commercially reasonable terms, or at all.

Our failure to comply with the covenants contained in the credit agreements for the senior secured credit facilities, including as a result of events beyond our control, could result in an event of default that could cause repayment of our debt to be accelerated.

If we are not able to comply with the covenants and other requirements contained in the credit agreements governing the senior secured credit facilities or any other debt instruments, an event of default under the relevant debt instrument could occur. In addition to imposing restrictions on our business and operations, some of our debt instruments include covenants relating to financial ratios and tests. Our ability to comply with these covenants may be affected by events beyond our control, including prevailing economic, financial, and industry conditions. The breach of any of these covenants would result in a default under these instruments. If an event of default does occur under one of these agreements, it could trigger a default under our other debt instruments, prohibit us from accessing additional borrowings, and permit the holders of the defaulted debt to declare amounts outstanding with respect to that debt to be immediately due and payable. Our assets and cash flows may not be sufficient to fully repay borrowings under our outstanding debt instruments. In addition, we may not be able to refinance or restructure the payments on the applicable debt. Even if we were able to secure additional financing, it may not be available on favorable terms.

The amount of borrowings permitted under the revolving credit facility may fluctuate significantly, which may adversely affect our liquidity, results of operations, and financial position.

The amount of borrowings permitted at any one time under the revolving credit facility is subject to a borrowing base valuation of the collateral thereunder, net of certain reserves. As a result, our access to credit under the revolving credit facility is potentially subject to significant fluctuations depending on the value of the borrowing base of eligible assets as of any measurement date, as well as certain discretionary rights of the agents in respect of the calculation of such borrowing base value. The inability to borrow under the revolving credit facility may adversely affect our liquidity, results of operations, and financial position.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our indebtedness service obligations to increase significantly.

Borrowings under the senior secured credit facilities are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remains the same, and our net income and cash flows, including cash available for servicing our indebtedness, would correspondingly decrease. Although we may enter into agreements limiting our exposure to higher interest rates, these agreements may not be effective.

A ratings downgrade or other negative action by a ratings organization could adversely affect the trading price of the shares of our Class A common stock.

Credit rating agencies continually revise their ratings for companies they follow. The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. In addition, developments in our business and operations could lead to a ratings downgrade for us or our subsidiaries. Any fluctuation in the rating of us or our subsidiaries may impact our ability to access debt markets in the future or increase our cost of future debt, which could have a material adverse effect on our operations and financial condition and may adversely affect the trading price of shares of our Class A common stock.

Changes affecting the availability of LIBOR may have consequences for us that cannot yet be reasonably predicted.

We have outstanding debt with variable interest rates based on the London Inter-bank Offered Rate ("LIBOR"). Advances under the revolving credit facility and the term loan facility generally bear interest based on (i) the Eurodollar Rate (as defined in our credit agreements and calculated using LIBOR) or (ii) the Base Rate (as defined in our credit agreements). The LIBOR benchmark has been the subject of national, international, and other regulatory guidance and proposals to reform. In July 2017, the United Kingdom Financial Conduct Authority (the authority that regulates LIBOR) announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. These reforms may cause LIBOR to perform differently than it has in the past, and LIBOR may ultimately cease to exist after 2021. Alternative benchmark rates may replace LIBOR and could affect our debt securities, debt payments, and receipts. At this time, it is not possible to predict the effect of any changes to LIBOR, any phase out of LIBOR, or any establishment of alternative benchmark rates. Any new benchmark rate will likely not replicate LIBOR exactly, which could impact our contracts that terminate after 2021. There is uncertainty about how applicable law and the courts will address the replacement of LIBOR with alternative rates on variable rate retail loan contracts and other contracts that do not include alternative rate fallback provisions. If LIBOR ceases to exist after 2021, the interest rates on the revolving credit facility and the term loan facility will be based on the Base Rate or an alternative benchmark rate, which may result in higher interest rates. In addition, any changes to benchmark rates may have an uncertain impact on our cost of funds and our access to the capital markets, which could impact our results of operations and cash flows. Uncertainty as to the nature of such potential changes may also adversely affect the trading market for our securities.

Risks Related to Our Class A Common Stock

Our Sponsors will continue to have significant influence over us after this offering, including control over decisions that require the approval of stockholders, which could limit your ability to influence the outcome of matters submitted to stockholders for a vote.

We are currently controlled, and after this offering is completed will continue to be controlled, by our Sponsors through our Principal Stockholder. After giving effect to the Recapitalization, the Corporate Conversion, and the completion of this offering, our Sponsors will control 81.3% of the outstanding voting power of our company. As long as our Sponsors beneficially own or control at least a majority of our outstanding voting power, they will have the ability to exercise substantial control over all corporate actions requiring stockholder approval, irrespective of how our other stockholders may vote, including the election and removal of directors and the size of our board of directors, any amendment of our certificate of incorporation or bylaws, or the approval of any merger or other significant corporate transaction, including a sale of substantially all of our assets. Even if their ownership falls below 50%, our Sponsors will continue to be able to strongly influence or effectively control our decisions.

Additionally, our Sponsors' interests may not align with the interests of our other stockholders. Our Sponsors, and other investment funds affiliated with them, are in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us. Our Sponsors, and other investment funds affiliated with them, may also pursue acquisition opportunities that may be complementary to our business, and, as a result, those acquisition opportunities may not be available to us.

We are a "controlled company" within the meaning of the Nasdaq rules and, as a result, expect to qualify for, and intend to rely on, exemptions from certain corporate governance requirements. You will not have the same protections as those afforded to stockholders of companies that are subject to such governance requirements.

After completion of this offering, our Sponsors, through our Principal Stockholder, will continue to control a majority of the voting power of our common stock with respect to director elections. As a result, we will be a "controlled company" within the meaning of the corporate governance standards of Nasdaq. Under these rules, a company of which more than 50% of the voting power with respect to director elections is held by an individual, group, or another company is a "controlled company" and may elect not to comply with certain corporate governance requirements, including:

- the requirement that a majority of the board of directors consist of independent directors;
- the requirement that our nominating and corporate governance committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- the requirement that our compensation committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities.

Following this offering, we intend to utilize one or more of these exemptions. As a result, we will not have a majority of independent directors and our Compensation Committee and Nominating and Corporate Governance Committee will not consist entirely of independent directors. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of Nasdaq.

Our Sponsors are not subject to any contractual obligation to retain their controlling interest, except that they have agreed, subject to certain exceptions, not to sell or otherwise dispose of any shares of our Class A common stock or other securities exercisable or convertible into our Class A common stock for a period of at least 180 days after the date of this prospectus without the prior written consent of Goldman Sachs & Co. LLC and BofA Securities, Inc. We cannot assure you as to the period of time during which any of our Sponsors will in fact maintain their control of our Class A common stock following the offering.

Certain of our directors have relationships with our Sponsors, which may cause conflicts of interest with respect to our business.

Following this offering, six of our ten directors will be affiliated with our Sponsors. These directors have fiduciary duties to us and, in addition, have duties to the applicable Sponsor or stockholder affiliate. As a result, these directors may face real or apparent conflicts of interest with respect to matters affecting both us and the affiliated Sponsors, whose interests may be adverse to ours in some circumstances.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our current management, and may adversely affect the market price of our stock.

Provisions in our certificate of incorporation and bylaws, which will be in effect upon the completion of this offering following the Corporate Conversion, may have the effect of delaying or preventing a change of control or changes in our management. Our certificate of incorporation and bylaws will include provisions that:

- provide that, except with regard to directors nominated by our Principal Stockholder, vacancies on our board of directors shall be filled only by a majority of directors then in office, even though less than a quorum, or by a sole remaining director;
- establish that our board of directors is divided into three classes, with each class serving three-year staggered terms;
- provide that our directors can be removed for cause only, once our Principal Stockholder (including its permitted transferees under the stockholder's agreement) no longer beneficially owns 50% or more of our outstanding Class A common stock and Class B-1 common stock;
- provide that, once our Principal Stockholder (including its permitted transferees under the stockholder's agreement) no longer beneficially owns 50% or more of our outstanding Class A

common stock and Class B-1 common stock, any action required or permitted to be taken by the stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by any consent in writing in lieu of a meeting of such stockholders;

- specify that, once our Principal Stockholder (including its permitted transferees under the stockholder's agreement) no longer beneficially owns 50% or more of our outstanding Class A common stock and Class B-1 common stock, special meetings of our stockholders can be called only by our board of directors, or the Chairman of our board of directors (prior to such time, special meetings of the stockholders of our company shall be called by the Chairman of our board of directors or our Secretary at the request of our Principal Stockholder, in addition to being able to be called by the Chairman of our board of directors and by our board of directors);
- require the approval of the holders of at least two-thirds of the voting power of all outstanding stock entitled to vote thereon, voting together as a single class, to amend or repeal our bylaws and certain articles of our certificate of incorporation once our Principal Stockholder (including its permitted transferees under the stockholder's agreement) ceases to beneficially own at least 50% of the Class A common stock and Class B-1 common stock;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;
- authorize our board of directors to issue, without further action by the stockholders, shares of undesignated preferred stock; and
- reflect three classes of common stock.

These and other provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, we will be a Delaware corporation and governed by the Delaware General Corporation Law (the "DGCL"). In general, Section 203 of the DGCL, an anti-takeover law, prohibits a publicly held Delaware corporation from engaging in a business combination, such as a merger, with a person or group owning 15% or more of the corporation's voting stock, which person or group is considered an interested stockholder under the DGCL, for a period of three years following the date the person became an interested stockholder, unless (with certain exceptions) the business combination or the transaction in which the person became an interested stockholder is approved in a prescribed manner. We intend to elect in our certificate of incorporation not to be subject to Section 203. However, our certificate of incorporation will contain provisions that have the same effect as Section 203, except that they will provide our Sponsors, our Principal Stockholder, their affiliates, and their respective successors (other than our company), as well as their direct and indirect transferees, will not be deemed to be "interested stockholders," regardless of the percentage of our voting stock owned by them, and accordingly will not be subject to such restrictions. For additional details, read "Description of Capital Stock."

Since we have no current plans to pay regular cash dividends on our Class A common stock following this offering, you may not receive any return on investment unless you sell your Class A common stock for a price greater than that which you paid for it.

We do not anticipate paying any regular cash dividends on our Class A common stock following this offering. Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors and will depend on, among other things, our financial condition, results of operations, cash requirements, contractual restrictions and other factors that our board of directors may deem relevant. In addition, our ability to pay dividends is, and may be, limited by covenants of existing and any future outstanding indebtedness we or our subsidiaries incur, including under the senior secured credit facilities. Therefore, any return on investment in our Class A common stock is solely dependent upon the appreciation of the price of our Class A common stock on the open market, which may not occur. Please read "Dividend Policy" for more detail.

We are a holding company with nominal net worth and will depend on dividends and distributions from our subsidiaries to pay any dividends.

PET Acquisition LLC and Petco Holdings, Inc. LLC are holding companies with nominal net worth. We do not have any material assets or conduct any business operations other than our investments in our subsidiaries. Our business operations are conducted primarily out of our indirect operating subsidiary, Petco Animal Supplies and its subsidiaries. As a result, in addition to the restrictions on payment of dividends that apply under the terms of our existing indebtedness, our ability to pay dividends, if any, will be dependent upon cash dividends and distributions or other transfers from our subsidiaries, including from Petco Animal Supplies Stores, Inc. Payments to us by our subsidiaries will be contingent upon their respective earnings and subject to any limitations on the ability of such entities to make payments or other distributions to us.

The multi-class structure of our common stock may adversely affect the trading market for our Class A common stock.

In July 2017, S&P Dow Jones and FTSE Russell announced changes to their eligibility criteria for the inclusion of shares of public companies on certain indices, including the Russell 2000, the S&P 500, the S&P MidCap 400 and the S&P SmallCap 600, to exclude companies with multiple classes of shares of common stock from being added to these indices. As a result, our multi-class capital structure makes us ineligible for inclusion in any of these indices, and mutual funds, exchange-traded funds and other investment vehicles that attempt to passively track these indices will not be investing in our stock. Further, we cannot assure you that other stock indices will not take a similar approach to S&P Dow Jones or FTSE Russell in the future. Exclusion from indices could make our Class A common stock less attractive to investors and, as a result, the market price of our Class A common stock could be adversely affected.

Our certificate of incorporation will designate the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, and the federal district courts as the exclusive forum for Securities Act claims, which could limit our stockholders' ability to obtain what such stockholders believe to be a favorable judicial forum for disputes with us or our directors, officers, other employees, or agents.

Our certificate of incorporation will provide that, unless we, in writing, select or consent to the selection of an alternative forum, all complaints asserting any internal corporate claims (defined as claims, including claims in the right of our company: (i) that are based upon a violation of a duty by a current or former director, officer, employee, or stockholder in such capacity; or (ii) as to which the DGCL confers jurisdiction upon the Court of Chancery), to the fullest extent permitted by law, and subject to applicable jurisdictional requirements, shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have, or declines to accept, subject matter jurisdiction, another state court or a federal court located within the State of Delaware). Further, unless we select or consent to the selection of an alternative forum, the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. Our choice-of-forum provision will not apply to suits brought to enforce any liability or duty created by the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Any person or entity purchasing or otherwise acquiring or holding any interest in our common stock shall be deemed to have notice of and to have consented to the forum selection provisions described in our certificate of incorporation. These choice-of-forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and such persons. It is possible that a court may find these provisions of our certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, in which case we may incur additional costs associated with resolving such matters in other jurisdictions, which could materially adversely affect our business, financial condition, or results of operations and result in a diversion of the time and resources of our management and board of directors.

General Risk Factors

As a public company, we will become subject to additional laws, regulations, and stock exchange listing standards, which will impose additional costs on us and divert our management's attention.

We have operated our business as a private company since October 2006. After this offering, we will be subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act"), the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the listing requirements of Nasdaq, and other applicable securities laws and regulations. Compliance with these laws and regulations will increase our legal and financial compliance costs and make some activities more difficult, time-consuming or costly. For example, the Exchange Act will require us, among other things, to file annual, quarterly, and current reports with respect to our business and operating results. We also expect that being a public company and being subject to new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These additional requirements will impose significant additional costs on us and may divert management's attention and affect our ability to attract and retain qualified board members.

An active, liquid trading market for our Class A common stock may not develop, which may limit your ability to sell your shares.

Prior to this offering, there was no public market for our Class A common stock. Although we have applied to list our Class A common stock on Nasdaq under the symbol "WOOF," an active trading market for our shares may never develop or be sustained following this offering. The initial public offering price will be determined by negotiations between us and the underwriters and may not be indicative of market prices of our Class A common stock that will prevail in the open market after the offering. A public trading market having the desirable characteristics of depth, liquidity, and orderliness depends upon the existence of willing buyers and sellers at any given time, and its existence is dependent upon the individual decisions of buyers and sellers over which neither we nor any market maker has control. The failure of an active and liquid trading market to develop and continue would likely have a material adverse effect on the value of our Class A common stock. The market price of our Class A common stock may decline below the initial public offering price, and you may not be able to sell your shares of our Class A common stock at or above the price you paid in this offering, or at all. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

Our operating results and share price may be volatile, and the market price of our Class A common stock after this offering may drop below the price you pay.

Our quarterly operating results are likely to fluctuate in the future as a publicly traded company. In addition, securities markets worldwide have experienced, and are likely to continue to experience, significant price and volume fluctuations. This market volatility, as well as general economic, market, or political conditions, could subject the market price of our shares to wide price fluctuations regardless of our operating performance. You may not be able to resell your shares at or above the initial public offering price or at all. Our operating results and the trading price of our shares may fluctuate in response to various factors, including:

- market conditions in the broader stock market;
- actual or anticipated fluctuations in our quarterly financial and operating results;
- introduction of new products or services by us or our competitors;

- issuance of new or changed securities analysts' reports or recommendations;
- changes in debt ratings;
- results of operations that vary from expectations of securities analysts and investors;
- guidance, if any, that we provide to the public, any changes in this guidance or our failure to meet this guidance;
- strategic actions by us or our competitors;
- announcement by us, our competitors, or our vendors of significant contracts or acquisitions;
- sales, or anticipated sales, of large blocks of our stock;
- additions or departures of key personnel;
- regulatory, legal, or political developments;
- public response to press releases or other public announcements by us or third parties, including our filings with the SEC;
- litigation and governmental investigations;
- changing economic conditions;
- changes in accounting principles;
- default under agreements governing our indebtedness; and
- other events or factors, including those from natural disasters, pandemic, pet disease, war, acts of terrorism, or responses to these events.

These and other factors, many of which are beyond our control, may cause our operating results and the market price and demand for our shares to fluctuate substantially. While we believe that operating results for any particular quarter are not necessarily a meaningful indication of future results, fluctuations in our quarterly operating results could limit or prevent investors from readily selling their shares and may otherwise negatively affect the market price and liquidity of our shares. In addition, in the past, when the market price of a stock has been volatile, holders of that stock have sometimes brought securities class action litigation against the company that issued the stock. If any of our stockholders brought a lawsuit against us, we could incur substantial costs defending the lawsuit. Such a lawsuit could also divert the time and attention of our management from our business, which could significantly harm our profitability and reputation.

If you purchase shares of Class A common stock in this offering, you will suffer immediate and substantial dilution to the net tangible book value per share of your investment.

The initial public offering price of our Class A common stock is substantially higher than the net tangible book deficit per share of our Class A common stock and Class B-1 common stock. Therefore, if you purchase shares of our Class A common stock in this offering, you will pay a price per share that substantially exceeds our net tangible book deficit per share after this offering. Based on an assumed initial public offering price of $15.50 per share, which is the midpoint of the price range on the cover of this prospectus, you will experience immediate dilution of $20.91 per share, representing the difference between our pro forma net tangible book deficit per share after giving effect to this offering and the initial public offering price. In addition, purchasers of our Class A common stock in this offering will have paid 32.2% of the aggregate price paid by all purchasers of our Class A common stock but will own only approximately 21.9% of our Class A common stock outstanding after this offering. Please read "Dilution" for more detail.

Your percentage ownership in us may be diluted by future issuances of capital stock, which could reduce your influence over matters on which stockholders vote.

Pursuant to our certificate of incorporation and bylaws, our board of directors will have the authority, without action or vote of our stockholders, to issue all or any part of our authorized but unissued shares of common stock, including shares issuable upon the exercise of options, or shares of our authorized but unissued preferred stock. Issuances of common stock or voting preferred stock would reduce your influence over matters on which our stockholders vote and, in the case of issuances of preferred stock, would likely result in your interest in us being subject to the prior rights of holders of that preferred stock. Moreover, the ability of holders of Class B-1 common stock to convert each of their shares into one share of Class A common stock, subject to the transfer to us of an equivalent number of shares of Class B-2 common stock, may increase the number of outstanding shares of Class A common stock; however, such conversion rights will not dilute or otherwise affect the voting rights of the holders of Class A common stock because Class B-1 common stock and Class B-2 common stock taken on a combined basis will have the same voting rights as Class A common stock.

A significant portion of our total outstanding shares are restricted from immediate resale but may be sold into the market in the near future. This could cause the market price of our Class A common stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our Class A common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our Class A common stock. After this offering, we will have outstanding 219,224,140 shares of Class A common stock based on the number of shares outstanding. Substantially all of the shares that are not being sold in this offering will be subject to a 180-day lock-up period provided under agreements executed in connection with this offering. These shares will, however, be able to be resold after the expiration of the lock-up agreements described in the "Shares Eligible for Future Sale" and "Underwriting (Conflicts of Interest)" sections of this prospectus. We also intend to file a Form S-8 under the Securities Act to register all shares of Class A common stock that we may issue under our equity compensation plans. In addition, our Principal Stockholder will have demand registration rights that will require us to file registration statements in connection with future sales of our stock by our Principal Stockholder, including in connection with the note purchase agreement described below. Please read "Certain Relationships and Related Party Transactions—Registration Rights Agreement." Sales by our Principal Stockholder could be significant. Once we register these shares, they can be freely resold in the public market, subject to legal or contractual restrictions, such as the lock-up agreements described in the "Underwriting (Conflicts of Interest)" section of this prospectus. As restrictions on resale end, the market price of our stock could decline if the holders of currently restricted shares sell them or are perceived by the market as intending to sell them. Lastly, in connection with the closing of this offering, our Principal Stockholder is expected to enter into a note purchase agreement. The obligations under the note purchase agreement will be secured by a pledge of all of the shares of our common stock owned by our Principal Stockholder and its affiliates. If our Principal Stockholder were to default on any of its obligations under the note purchase agreement or in the event of a collateral deficiency the holders would have the right to foreclose on all of our common stock subject to the pledge and sell such shares of common stock. Such an event could further cause our stock price to decline and could result in a change in control of our company that could trigger a default under, or acceleration of, the obligations under our term loan facility and revolving credit facility. Certain affiliates of Goldman Sachs & Co. LLC, together with other investors, will be holders of the notes governed by this note purchase agreement and will not be subject to a lock-up agreement in the event of a foreclosure on our common stock. Any foreclosure on our common stock which secures obligations under the note purchase agreement could result in the sale of a significant number of shares of our common stock, which could result in a decrease in the price of our common stock.

If securities or industry analysts do not publish research or reports about our business, if they adversely change their recommendations regarding our shares, or if our results of operations do not meet their expectations, our share price and trading volume could decline.

The trading market for our shares likely will be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not have any control over these analysts. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our share price or trading volume to decline. Moreover, if one or more of the analysts who cover us downgrade our stock, or if our results of operations do not meet their expectations, our share price could decline.

If our operating and financial performance in any given period does not meet the guidance that we have provided to the public or the expectations of our investors and analysts, our stock price may decline.

We anticipate providing guidance on our expected operating and financial results for future periods on an annual basis only, as we believe this approach is better aligned with the long-term view we take in managing our business and our focus on long-term stockholder value creation. Although we believe that this guidance will provide investors and analysts with a better understanding of management's expectations for the future and is useful to our stockholders and potential stockholders, such guidance comprises forward-looking statements subject to the risks and uncertainties described in this prospectus and in our other public filings and public statements. Our actual results may not always be in line with or exceed the guidance we have provided or the expectations of our investors and analysts, especially in times of economic uncertainty. If, in the future, our operating or financial results for a particular period do not meet our guidance or the expectations of our investors and analysts or if we reduce our guidance for future periods, our share price could decline.

If our internal control over financial reporting or our disclosure controls and procedures are not effective, we may be unable to accurately report our financial results, prevent fraud, or file our periodic reports in a timely manner, which may cause investors to lose confidence in our reported financial information and may lead to a decline in our stock price.

Prior to the completion of this offering, we were a private company and have not been subject to the internal control and financial reporting requirements that are required of a publicly traded company. We will be required to comply with the requirements of the Sarbanes-Oxley Act, following the date we are deemed to be an "accelerated filer" or a "large accelerated filer," each as defined in the Exchange Act, which could be as early as our first fiscal year beginning after the effective date of this offering. The Sarbanes-Oxley Act requires that we maintain effective internal control over financial reporting and disclosure controls, and procedures. In particular, we must perform system and process evaluation, document our controls and perform testing of our key control over financial reporting to allow management and our independent public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Our testing, or the subsequent testing by our independent public accounting firm, may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. If we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our accounting firm identifies deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock would likely decline and we could be subject to lawsuits, sanctions or investigations by regulatory authorities, which would require additional financial and management resources.

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our financial condition and results of operations.

We are subject to taxes by the U.S. federal, state, and local tax authorities, and our tax liabilities will be affected by the allocation of expenses to differing jurisdictions. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowances;
- tax effects of stock-based compensation; or
- changes in tax laws, regulations, or interpretations thereof.

In addition, we may be subject to audits of our income, sales, and other transaction taxes by U.S. federal, state, and local taxing authorities. Outcomes from these audits could have an adverse effect on our operating results and financial condition.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements contained in this prospectus 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 are "forward-looking statements" within the meaning of the federal securities laws. Although we believe 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, and actual results may differ materially from the results discussed in such forward-looking statements. In addition to the specific factors discussed in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," the following are among the important factors that could cause actual results to differ materially from the forward-looking statements:

- general economic factors, a decline in consumer spending or changes in consumer preferences, or failure to successfully predict and respond to changing consumer trends and demand;
- any damage to our reputation or our brand;
- competition, including internet-based competition;
- difficulty in recruiting and retaining skilled veterinarians;
- challenges associated with integrating and growing our e-commerce business;
- failure to successfully execute our growth strategies, including expanding our veterinary service offerings and building out our digital and data capabilities, or manage and sustain our recent growth;
- failure to generate or obtain sufficient capital to finance our growth;
- the loss of key personnel or our principal executive officers;
- the loss of any of our key merchandise vendors, or of our exclusive distribution arrangements with certain of our vendors;
- health epidemics, pandemics, and similar outbreaks, such as the recent outbreak of COVID-19, and the actions taken by third parties, including, but not limited to, governmental authorities, customers, contractors, and vendors, in response to such epidemics or pandemics;
- a disruption, malfunction, or increased costs in the operation, expansion, or replenishment of our distribution centers or our supply chain that would affect our ability to deliver to our locations and e-commerce customers or increase our expenses;
- the effects of government regulation, permitting, and other legal requirements, including new legislation or regulation related to our veterinary services;
- breaches of, or interruptions in, our or our vendors' data security and information systems, or cyber-attacks that disrupt our information systems;
- pet food safety, quality, and health concerns;
- our substantial indebtedness could adversely affect our financial condition and limit our ability to pursue our growth strategy;
- the impact of current and potential changes to federal or state tax rules and regulations; and
- other factors described under "Risk Factors."

Any of the foregoing events or factors, or other events or factors, could cause actual results, including financial performance, to vary materially from the forward-looking statements included in this prospectus. Additionally, the unprecedented nature of the COVID-19 pandemic may give rise to risks that are currently unknown or amplify the risks associated with many of these factors. You should consider these important factors, as well as the risk factors set forth in this prospectus, in evaluating any statement made in this prospectus. Please read “Risk Factors” for more information. For the foregoing reasons, you are cautioned against relying on any forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and we do not undertake any obligation to update or revise these forward-looking statements, except as required by law.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this prospectus. While we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

USE OF PROCEEDS

We expect to receive approximately $699.4 million of net proceeds from this offering (or $805.4 million if the underwriters exercise in full their option to purchase additional shares of our Class A common stock), based upon the assumed initial public offering price of $15.50 per share (which is the midpoint of the price range set forth on the cover page of this prospectus) after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use a portion of the net proceeds from this offering to pay the accrued but unpaid interest on the exchanged Floating Rate Senior Notes and to redeem in full the remaining $300 million aggregate principal amount, plus accrued but unpaid interest, of the Floating Rate Senior Notes that remain outstanding after the Recapitalization and the remainder of the proceeds, plus cash on hand, to repay a portion of the term loan facility.

The Floating Rate Senior Notes mature on January 26, 2024 and had a weighted average interest rate of 9.1% as of October 31, 2020. Certain affiliates of Goldman Sachs & Co. LLC are holders of our Floating Rate Senior Notes and will receive a portion of the proceeds of this offering utilized to redeem the Floating Rate Senior Notes that remain outstanding after the Recapitalization. See “Underwriting (Conflicts of Interest).” The term loan facility matures on January 26, 2023 and had a weighted average interest rate on the borrowings outstanding of 4.3% as of October 31, 2020.

Assuming no exercise of the underwriters’ option to purchase additional shares, each $1.00 change in the assumed initial public offering price of $15.50 per share (which is the midpoint of the price range set forth on the cover page of this prospectus) would cause the net proceeds from this offering, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, to change by approximately $45.6 million, assuming no change to the number of shares of our Class A common stock offered by us, as set forth on the cover page of this prospectus. Similarly, an increase (decrease) of one million shares of common stock sold in this offering by us would increase (decrease) our net proceeds by $14.7 million, assuming the initial public offering price of $15.50 per share, (which is the midpoint of the price range set forth on the cover page of this prospectus) remains the same and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. If the proceeds increase for any reason, we would use the additional net proceeds for other general corporate purposes. If the proceeds decrease for any reason, then we expect that we would reduce the amount of net proceeds used to repay a portion of the term loan facility.

DIVIDEND POLICY

We do not anticipate declaring or paying any cash dividends to holders of our Class A common stock in the foreseeable future. We currently intend to retain future earnings, if any, to finance the growth of our business. Our future dividend policy is within the discretion of our board of directors and will depend upon then-existing conditions, including our results of operations, financial condition, capital requirements, investment opportunities, statutory restrictions on our ability to pay dividends and other factors our board of directors may deem relevant. Please read “Risk Factors—The agreements governing our indebtedness include restrictive covenants that limit our operating flexibility, which could harm our long-term interests,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources,” and “Description of Indebtedness” for descriptions of restrictions on our ability to pay dividends.

RECAPITALIZATION AND CORPORATE CONVERSION

Recapitalization

Substantially contemporaneously with the completion of this offering, we will participate in certain transactions described below, which will collectively have the net effect of reducing our indebtedness and increasing our stockholders' equity.

3.00% Senior Notes

Prior to the completion of this offering, the noteholders, including Scooby LP, will contribute to us $132 million aggregate principal amount of our outstanding 3.00% Senior Notes, which were issued to certain equityholders, including Scooby LP, as a means of facilitating a potential distribution of cash to such equityholders, plus accrued but unpaid interest. After accounting for an offset of certain inter-company indebtedness, we will cancel the 3.00% Senior Notes and record the cancellation as a capital contribution by the noteholders to us. For more information about the 3.00% Senior Notes, please read "Certain Relationships and Related Party Transactions—Related Party Transactions—3.00% Senior Notes" and Note 9 to our historical consolidated financial statements included elsewhere in this prospectus.

Floating Rate Senior Notes

Substantially contemporaneously with the completion of this offering, holders of $750 million aggregate principal amount of Petco Animal Supplies' outstanding Floating Rate Senior Unsecured Notes (the "Floating Rate Senior Notes"), which were issued in a private placement offering in January 2016 to finance the transactions contemplated by the Merger Agreement, will exchange $450 million aggregate principal amount of such notes for a series of new notes to be issued by our Principal Stockholder. Our Principal Stockholder will contribute the Floating Rate Senior Notes to us, which we will cancel and record as a capital contribution by our Principal Stockholder to us. For more information about the Floating Rate Senior Notes, please read Note 9 to our historical consolidated financial statements included elsewhere in this prospectus.

After the exchange described above, there will be $300 million aggregate principal amount of Floating Rate Senior Notes outstanding. We intend to use a portion of the net proceeds from this offering to pay the accrued but unpaid interest on the exchanged Floating Rate Senior Notes and to redeem in full all of the remaining Floating Rate Senior Notes for a redemption price equal to the principal amount plus accrued but unpaid interest. Please read "Use of Proceeds."

Corporate Conversion

We currently operate as a Delaware limited liability company under the name PET Acquisition LLC. Prior to the effectiveness of the registration statement of which this prospectus forms a part, PET Acquisition LLC will convert into a Delaware corporation pursuant to a statutory conversion and change its name to Petco Health and Wellness Company, Inc.

Prior to our conversion to a corporation, Scooby LP will transfer all of the units of PET Acquisition LLC that it holds to our Principal Stockholder, an entity to be formed for the sole purpose of holding our equity. Such transfer is not a necessary step of the Corporation Conversion but facilitates the exchange of the Floating Rate Senior Notes described in "—Recapitalization—Floating Rate Senior Notes."

In connection with the Corporate Conversion, and prior to the closing of this offering, all of the outstanding units of PET Acquisition LLC will be converted into an aggregate of 209,014,921 shares of our common stock. 171,224,140 shares of our common stock will be designated Class A common stock, and 37,790,781 shares of our common stock will be designated Class B-1 common stock, with an equal number (37,790,781 shares of our common stock) designated Class B-2 common stock. The number of shares of Class A common stock and Class B-1 and Class B-2 common stock to be issued in connection with the Corporate Conversion will be determined in accordance with the applicable provisions of the plan of conversion. We will issue such number of shares of Class B-1 common stock and B-2 common stock as is necessary to facilitate CPP Investments' compliance with certain regulations under the Canada Pension Plan Investment Board Act that restrict CPP Investments from directly or indirectly investing in securities of a corporation that carry more than 30% of the votes that may be cast for the election of directors of the corporation. For more information on the shares of Class B-2 common stock subject to such regulations, please read footnote (6) to the table in "Principal Stockholders."

We expect to be controlled, through our Principal Stockholder, by our Sponsors following the Corporate Conversion. After giving effect to the Corporate Conversion and the completion of this offering, our Sponsors will control 81.3% of the voting power of our company. For more information on the indirect ownership of our common stock by our Sponsors and the voting and economic rights associated with each class of our common stock, please read "Principal Stockholders" and "Description of Capital Stock," respectively.

Following the Corporate Conversion, Petco Health and Wellness Company, Inc. will continue to hold all the property and assets of PET Acquisition LLC and will assume all of the debts and obligations of PET Acquisition LLC, subject to the exchange of the Floating Rate Senior Notes described in "—Recapitalization—Floating Rate Senior Notes." Petco Health and Wellness Company, Inc. will be governed by a certificate of incorporation filed with the Delaware Secretary of State and bylaws, the material provisions of which are described in the section captioned "Description of Capital Stock."

The purpose of the Corporate Conversion is to reorganize our corporate structure so that the top-tier entity in our corporate structure—the entity that is offering Class A common stock to the public in this offering—is a corporation rather than a limited liability company and so that our existing investors will own our common stock rather than membership units in a limited liability company.

Except as otherwise noted herein, the consolidated financial statements included elsewhere in this prospectus are those of PET Acquisition LLC and its consolidated operations. We do not expect that the Corporate Conversion will have a material effect on the results of our core operations.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of October 31, 2020:

- on a historical basis;
- on a pro forma basis to give effect to (i) the Recapitalization and (ii) the Corporate Conversion; and
- on a pro forma as adjusted basis to reflect the sale of shares of our Class A common stock in this offering at an assumed initial offering price of $15.50 per share, which is the midpoint of the range set forth on the cover this prospectus, and the application of the net proceeds from this offering to repay debt as described under "Use of Proceeds."

This table is derived from, should be read together with, and is qualified in its entirety by reference to the historical consolidated financial statements and the accompanying notes included elsewhere in this prospectus. You should also read this table in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of October 31, 2020		
(dollars in millions)	Actual	Pro Forma	Pro Forma As Adjusted
Cash and cash equivalents(1)	$ 196	$ 192	$ 82
Long-term debt, including current portions:			
Senior secured credit facilities:			
Revolving Credit Facility(2)	$ —	$ —	$ —
Term Loan Facility	2,405	2,405	1,910
Floating Rate Senior Notes	750	300	—
3.00% Senior Notes	132	—	—
Finance lease obligations	14	14	14
Total debt(3)	3,301	2,719	1,924
Members' equity:			
Members' interest	1,366	—	—
Accumulated deficit	(801)	—	—
Accumulated other comprehensive loss	(6)	—	—
Members' equity	559	—	—
Noncontrolling interest	(13)	—	—
Total equity	546	—	—
Stockholders' equity:			
Class A common stock, par value $0.001 per share (no shares authorized, issued, or outstanding, actual; 1,000,000,000 authorized shares and 171,224,140 issued and outstanding shares, pro forma; and 1,000,000,000 authorized shares and 219,224,140 issued and outstanding shares, pro forma as adjusted)	—	—	—
Class B-1 common stock, par value $0.001 per share (no shares authorized, issued, or outstanding, actual; 75,000,000 authorized shares and 37,790,781 issued and outstanding shares, pro forma and pro forma as adjusted)(4)	—	—	—

(dollars in millions)	As of October 31, 2020 Actual	Pro Forma	Pro Forma As Adjusted
Class B-2 common stock, par value $0.000001 per share (no shares authorized, issued, or outstanding, actual; 75,000,000 authorized shares and 37,790,781 issued and outstanding shares, pro forma and pro forma as adjusted)(5)	—	—	—
Preferred stock, par value $0.001 per share (no shares authorized, issued, or outstanding, actual; 25,000,000 authorized shares and no shares issued or outstanding, pro forma and pro forma as adjusted)	—	—	—
Paid in capital	—	1,135	1,834
Accumulated deficit	—	—	(14)
Accumulated other comprehensive loss	—	(6)	(6)
Stockholders' equity	—	1,129	1,814
Noncontrolling interest	—	(13)	(13)
Total equity	—	1,116	1,801
Total capitalization	$3,847	$3,835	$ 3,725

(1) Cash and cash equivalents amounts in the Pro Forma and Pro Forma As Adjusted columns reflect our payment of $4 million to Scooby LP in connection with the Recapitalization. For more information about this payment, please read "Certain Relationships and Related Party Transactions—Related Party Transactions—3.00% Senior Notes."

(2) As of October 31, 2020, there were no outstanding borrowings under the revolving credit facility and $390 million of available capacity, which is net of $62 million of outstanding letters of credit and a $48 million borrowing base reduction for a shortfall in qualifying assets, net of reserves.

(3) Excludes the impact of original issue discounts and debt issuance costs of $63 million.

(4) The rights of the holders of our Class A common stock and our Class B-1 common stock are identical in all respects, except that our Class B-1 common stock does not vote on the election or removal of our directors.

(5) The rights of the holders of our Class B-2 common stock differ from the rights of the holders of our Class A common stock and Class B-1 common stock in that holders of our Class B-2 common stock only possess the right to vote on the election or removal of our directors.

DILUTION

Purchasers of our Class A common stock in this offering will experience immediate and substantial dilution in the net tangible book value per share of our Class A common stock and Class B-1 common stock for accounting purposes. Our pro forma net tangible book value as of October 31, 2020 was approximately $(2,076) million, or $(9.93) per share of Class A common stock and Class B-1 common stock.

Pro forma net tangible book value per share of Class A common stock and Class B-1 common stock is determined by dividing our net tangible book value, or total tangible assets less total liabilities, by the number of shares of our Class A common stock and Class B-1 common stock that will be outstanding as of October 31, 2020, after giving effect to the Recapitalization and the Corporate Conversion as if such Recapitalization and Conversion had occurred on October 31, 2020. Assuming an initial public offering price of $15.50 (which is the midpoint of the price range set forth on the cover page of this prospectus), after giving effect to the sale of our Class A common stock in this offering and further assuming the receipt of the estimated net proceeds (after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us), our adjusted pro forma net tangible book value as of October 31, 2020 would have been approximately $(1,391) million, or $(5.41) per share of Class A common stock and Class B-1 common stock. This represents an immediate increase in the pro forma net tangible book value of $4.52 per share of Class A common stock and Class B-1 common stock to our existing stockholders and an immediate dilution to new investors purchasing shares in this offering of $20.91 per share of Class A common stock and Class B-1 common stock, resulting from the difference between the offering price and the pro forma as adjusted net tangible book value after this offering. The following table illustrates the per share dilution to new investors purchasing shares in this offering:

Assumed initial public offering price per share		$15.50
Pro forma net tangible book value per share of Class A common stock and Class B-1 common stock as of October 31, 2020	$(9.93)	
Increase in pro forma net tangible book value per share of Class A common stock and Class B-1 common stock attributable to new investors in this offering	$ 4.52	
As adjusted pro forma net tangible book value per share of Class A common stock and Class B-1 common stock (after giving effect to this offering)		$ (5.41)
Dilution in pro forma as adjusted net tangible book value per share of Class A common stock and Class B-1 common stock to new investors in this offering		$20.91

A $1.00 increase (decrease) in the assumed initial public offering price of $15.50 per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) our as-adjusted pro forma net tangible book value per share of Class A common stock and Class B-1 common stock after this offering by $0.18 and increase (decrease) the dilution to new investors in this offering by $0.82 per share of Class A common stock and Class B-1 common stock, assuming the number of shares of our Class A common stock offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, an increase (decrease) of one million shares of common stock sold in this offering by us would increase (decrease) our net proceeds by $14.7 million, assuming the initial public offering price of $15.50 per share, (which is the midpoint of the price range set forth on the cover page of this prospectus) remains the same and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

The above discussion and table below are based on the number of shares of our Class A common stock outstanding as of the date of this prospectus and exclude an additional 28,271,641 shares of our Class A common stock reserved for future issuance under the 2021 Plan, as described in “Executive Compensation—2021 Equity Incentive Plan,” and 7,710,448 shares of our Class A common stock reserved for future issuance under the ESPP, as described in “Executive Compensation—2021 Employee Stock Purchase Plan.”

The following table summarizes, on an adjusted pro forma basis, the total number of shares of our Class A common stock owned by existing stockholders and to be owned by new investors, the total consideration paid and the average price per share paid by our existing stockholders and to be paid by new investors in this offering at $15.50, which is the midpoint of the price range set forth on the cover page of this prospectus, calculated before deduction of estimated underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares of Class A Common Stock Purchased		Total Consideration		Average Price Per Share
	Number	%	Amount (in millions)	%	
Existing stockholders	171,224,140	78.1%	$ 1,564.8	67.8%	$ 9.14
New investors in this offering	48,000,000	21.9%	744.0	32.2%	$ 15.50
Total	219,224,140	100%	$ 2,308.8	100%	$ 10.53

If the underwriters exercise in full their option to purchase 7,200,000 additional shares of Class A common stock, the number of Class A common stock shares held by new investors will increase to 55,200,000, or approximately 24.4% of our outstanding shares of Class A common stock.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table presents our selected historical consolidated financial data as of the dates and for the periods indicated. The selected historical consolidated financial data as of and for the fiscal years 2019 and 2018, and the thirty-nine weeks ended October 31, 2020, are derived from the audited consolidated financial statements included elsewhere in this prospectus. The selected historical consolidated financial data as of and for the thirty-nine weeks ended November 2, 2019 are derived from the unaudited consolidated financial statements included elsewhere in this prospectus. The selected historical consolidated financial data as of and for the fiscal years 2017, 2016, and 2015 are derived from the unaudited historical consolidated financial statements not included in this prospectus.

Historical results are not necessarily indicative of the results to be expected for future periods. We refer you to the notes to our historical consolidated financial statements for a discussion of the basis on which our historical consolidated financial statements are prepared.

Our fiscal year ends on the Saturday closest to January 31, resulting in fiscal years of either 52 or 53 weeks. All references to a fiscal year refer to the fiscal year ending on the Saturday closest to January 31 of the following year. For example, references to Fiscal 2019 refer to the fiscal year beginning February 3, 2019 and ending February 1, 2020. Fiscal 2019, Fiscal 2018, Fiscal 2016, and Fiscal 2015 each include 52 weeks, and Fiscal 2017 includes 53 weeks.

Our consolidated financial statements are presented in two distinct periods to indicate the application of two different bases of accounting between the periods presented. The period prior to January 30, 2016 is identified as “predecessor” and the period from January 30, 2016 forward is identified as “successor.” The acquisition of our company by our Sponsors was recorded on January 30, 2016, the end of our 2015 fiscal year. The activity between the period of the acquisition date of January 26, 2016 through January 30, 2016 was included in the predecessor’s consolidated financial statements, as we determined that the results of operations and cash flows for the five-day period from January 26, 2016 through January 30, 2016 were not material.

As a result of the acquisition and the application of push-down accounting, our consolidated financial statements for the period before January 30, 2016 are presented on a different basis than for the periods on or after January 30, 2016, and are therefore not comparable.

The following table should be read in conjunction with the sections entitled “Capitalization” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our historical consolidated financial statements and the accompanying notes included elsewhere in this prospectus.

	Fiscal Year					Thirty-Nine Weeks Ended	
	Successor				Predecessor	Successor	
(dollars in thousands)	2019 (52 weeks ended February 1, 2020)	2018 (52 weeks ended February 2, 2019)	2017 (53 weeks ended February 3, 2018)	2016 (52 weeks ended January 28, 2017)	2015 (52 weeks ended January 30, 2016)	October 31, 2020	November 2, 2019
Statement of operations data:							
Net sales	$ 4,434,514	$ 4,392,173	$ 4,527,630	$ 4,493,753	$ 4,412,293	$ 3,582,489	$ 3,285,858
Cost of sales	2,527,995	2,487,334	2,580,090	2,574,322	2,521,936	2,045,016	1,877,237
Gross profit	1,906,519	1,904,839	1,947,540	1,919,431	1,890,357	1,537,473	1,408,621
SG&A expenses	1,776,919	1,746,387	1,734,690	1,617,667	1,563,052	1,410,024	1,339,154
Goodwill & indefinite-lived intangible impairment	19,000	373,172	517,791	—	—	—	—
Operating income (loss)	110,600	(214,720)	(304,941)	301,764	327,305	127,449	69,467
Interest income	(335)	(420)	(427)	(99)	(82)	(332)	(201)
Interest expense	253,018	243,744	206,795	228,134	161,254	169,096	192,222

(dollars in thousands)	Fiscal Year — Successor — 2019 (52 weeks ended February 1, 2020)	2018 (52 weeks ended February 2, 2019)	2017 (53 weeks ended February 3, 2018)	2016 (52 weeks ended January 28, 2017)	Predecessor — 2015 (52 weeks ended January 30, 2016)	Thirty-Nine Weeks Ended — Successor — October 31, 2020	November 2, 2019
Loss on extinguishment of debt	—	460	—	13,002	50,624	—	—
Acquisition expenses	—	—	—	—	75,559	—	—
(Loss) Income before income taxes and (income) loss from equity method investees	(142,083)	(458,504)	(511,309)	60,727	39,950	(41,315)	(122,554)
Income tax (benefit) expense	(35,658)	(45,840)	(181,678)	22,392	20,399	(13,537)	(28,263)
(Income) loss from equity method investees	(2,441)	1,124	(1,391)	(848)	(930)	(2,952)	(326)
Net (loss) income	(103,984)	(413,788)	(328,240)	39,183	20,481	(24,826)	(93,965)
Net loss attributable to noncontrolling interest(1)	(8,111)	—	—	—	—	(4,502)	(5,263)
Net (loss) income attributable to members	$ (95,873)	$ (413,788)	$ (328,240)	$ 39,183	$ 20,481	$ (20,324)	$ (88,702)
Per unit data:							
(Loss) income per unit attributable to Common Series A and Common Series B members, basic and diluted	$ (0.07)	$ (0.28)	$ (0.23)	$ 0.03	$ —	$ (0.01)	$ (0.06)
Weighted average units used in computing loss per unit attributable to Common Series A and Common Series B members	1,457,985	1,457,164	1,457,442	1,458,405	—	1,458,558	1,457,794
Cash dividends declared per common unit	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Pro forma net (loss) income attributable to Class A and Class B-1 common stockholders, basic and diluted(2)	$ (0.46)	$ (1.98)	$ (1.57)	$ 0.19	$ —	$ (0.10)	$ (0.42)
Statement of cash flow data:							
Net cash provided by (used in)							
Operating activities	$ 110,337	$ 203,202	$ 246,454	$ 282,606	$ 206,543	$ 201,480	$ (34,248)
Investing activities	(139,041)	(142,682)	(87,657)	(169,330)	(2,569,635)	(95,920)	(119,220)
Financing activities	(3,071)	(32,099)	(97,800)	(97,513)	2,246,064	(51,124)	117,595
Net (decrease) increase in cash, cash equivalents, and restricted cash	$ (31,775)	$ 28,421	$ 60,997	$ 15,763	$ (117,028)	$ 54,436	$ (35,873)

(dollars in thousands)	Fiscal Year					Thirty-Nine Weeks Ended	
	Successor				Predecessor	Successor	
	2019 (52 weeks ended February 1, 2020)	2018 (52 weeks ended February 2, 2019)	2017 (53 weeks ended February 3, 2018)	2016 (52 weeks ended January 28, 2017)	2015 (52 weeks ended January 30, 2016)	October 31, 2020	November 2, 2019
Balance Sheet data (end of period):							
Cash and cash equivalents	$ 148,785	$ 180,649	$ 151,754	$ 90,551	$ 74,824	$ 195,832	$ 145,815
Merchandise inventories, net	478,968	470,144	470,789	464,222	469,333	541,352	519,212
Working (deficit) capital(3)	(130,936)	218,138	232,742	191,630	169,838	(59,702)	(40,313)
Fixed assets, net	656,256	683,547	737,542	833,731	857,146	618,930	683,870
Total assets(4)	6,155,118	4,924,379	5,384,262	5,905,953	5,941,667	6,203,814	6,276,342
Total debt(5)	3,270,131	3,239,167	3,242,719	3,316,415	3,372,642	3,237,664	3,381,217
Total equity	561,061	637,909	1,045,645	1,368,753	1,333,702	545,617	566,192
Other Financial and Operational Data:							
Comparable sales increase (decrease)(6)	3.9%	(1.1)%				9.6%	4.0%
Total pet care centers at end of period	1,478	1,490				1,468	1,488
Total pet care centers with veterinarian practices at end of period	81	39				105	70
Total Active Customers (in thousands)(7)	19,651	19,075				21,462	19,727
Total Active Multi-Channel Customers (in thousands)(8)	3,024	2,786				3,531	3,000
Net loss margin(9)	(2.3)%	(9.4)%				(0.7)%	(2.9)%
Adjusted EBITDA(10)	$ 424,547	$ 437,836				$ 335,749	$ 292,628
Adjusted EBITDA margin(10)	9.6%	10.0%				9.4%	8.9%

(1) The non-controlling interest represents 50% of the net loss of our veterinary joint venture, which is a variable interest entity for which we were deemed to be the primary beneficiary beginning in Fiscal 2019 due to revisions made in the joint operating agreement. Prior to Fiscal 2019, the joint venture was accounted for as an equity method investment.

(2) Assumes conversion of PET Acquisition LLC units into shares of our common stock in the Corporate Conversion. Class B-2 common stock is not allocated earnings on a pro forma, per share basis because it only has nominal economic rights.

(3) Working (deficit) capital is defined as current assets minus current liabilities.

(4) We adopted ASU 2016-02, "Leases (Topic 842)," and related amendments as of February 3, 2019, the beginning of Fiscal 2019 on a prospective basis and therefore, fiscal years prior to 2019 have not been revised.

(5) Total debt includes obligations under the senior secured credit facilities, the Floating Rate Senior Notes, the 3.00% Senior Notes, and finance leases. Amounts are reflected net of unamortized discounts and debt issuance costs.

(6) Comparable sales growth is for our total enterprise. A new location or digital site is included in comparable sales beginning on the first day of the fiscal month following 12 full fiscal months of operation and is subsequently compared to like time periods from the previous year. Relocated stores become comparable stores on the first day of operation if the original store was open longer than 12 full fiscal months. If, during the period presented, a store was closed, sales from that store are included up to the first day of the month of closing. Additionally, our comparable sales exclude the impact of the wind-down and migration of our Drs. Foster & Smith digital site to Petco.com in Fiscal 2018 and Fiscal 2019. Please read "Management's Discussion and Analysis of Financial Condition and Results of Operations—How We Assess the Performance of Our Business."

(7) As of the last date of a reporting period, Total Active Customers is defined as the total number of trackable unique customers (including Pals Loyalty members) that have made at least one transaction with us, across any of our channels, during the prior 12-month period.

(8) As of the last date of a reporting period, Total Active Multi-Channel Customers is defined as the total number of trackable unique customers that have transacted with us across at least two of our channels during the prior 12-month period.

(9) Net loss margin is defined as net loss divided by net sales.

(10) Adjusted EBITDA and Adjusted EBITDA Margin, are non-GAAP financial measures. Please read "—Non-GAAP Financial Measures" for additional information regarding these non-GAAP financial measures and a reconciliation to the most comparable GAAP measures of each.

Non-GAAP Financial Measures

Adjusted EBITDA and Adjusted EBITDA Margin

We present Adjusted EBITDA, a non-GAAP financial measure, because we believe it enhances an investor's understanding of our financial and operational performance by excluding certain material non-cash items, unusual or non-recurring items that we do not expect to continue in the future, and certain other adjustments we believe are or are not reflective of our ongoing operations and performance. Adjusted EBITDA enables operating performance to be reviewed across reporting periods on a consistent basis. We use Adjusted EBITDA as one of the principal measures to evaluate and monitor our operating financial performance and to compare our performance to others in our industry. We also use Adjusted EBITDA in connection with establishing discretionary annual incentive compensation targets, to make budgeting decisions, to make strategic decisions regarding the allocation of capital, and to report our quarterly results as defined in our debt agreements, although under such agreements the measure is calculated differently and is used for different purposes.

We define Adjusted EBITDA as net (loss) income attributable to members excluding:

- interest expense, net and losses on debt extinguishment;
- income tax (benefit) expense;
- depreciation, amortization, asset impairments, and write-offs;
- (income) loss from equity method investees;
- goodwill and indefinite-lived intangible impairment;
- equity-based compensation;
- pre-opening and closing expenses;
- non-cash occupancy-related costs;
- severance expenses; and
- other non-recurring costs.

We believe it is useful to exclude these items that are non-cash or non-routine in nature, as they are not components of our business operations and may not directly correlate to the underlying performance of our business. In addition, we add back 50% of EBITDA related to our 50% owned veterinary joint venture for years prior to Fiscal 2019 (in Fiscal 2019, we began consolidating this joint venture in our financial results) and our 50% owned Mexico joint venture for all periods. We believe it is useful to include our portion of the results of these joint ventures, as it reflects the performance of key components of our business, including veterinary services and international operations, and presents more comparable EBITDA-based financial information rather than (income) loss on a standalone basis. Our portion of the results of these joint ventures has limitations as an analytical tool, including that amounts shown on the individual line items do not necessarily represent our legal claim to the assets and liabilities, or the revenues and expenses presented. In addition, other companies may calculate such proportionate results differently, which reduces their comparability. Further, we define Adjusted EBITDA Margin as Adjusted EBITDA divided by net sales.

Adjusted EBITDA is not a substitute for net (loss) income, the most comparable GAAP measure, and is subject to a number of limitations as a financial measure, so it should be used in conjunction with GAAP financial measures and not in isolation. There can be no assurances that we will not modify the presentation of Adjusted EBITDA in the future. In addition, other companies in our industry may define Adjusted EBITDA differently, limiting its usefulness as a comparative measure.

The table below presents a reconciliation of net loss attributable to members to Adjusted EBITDA and Adjusted EBITDA Margin after taking into account net sales for the periods presented:

(dollars in thousands)	Fiscal Year 2019 (52 weeks ended February 1, 2020)	Fiscal Year 2018 (52 weeks ended February 2, 2019)	Thirty-Nine Weeks Ended October 31, 2020	Thirty-Nine Weeks Ended November 2, 2019
Reconciliation of Net Loss Attributable to Members to Adjusted EBITDA				
Net loss attributable to members	$ (95,873)	$ (413,788)	$ (20,324)	$ (88,702)
Interest expense, net	252,683	243,324	168,764	192,021
Income tax benefit	(35,658)	(45,840)	(13,537)	(28,263)
Depreciation and amortization	173,544	186,997	128,961	129,600
(Income) loss from equity method investees	(2,441)	1,124	(2,952)	(326)
Loss on debt extinguishment	—	460	—	—
Goodwill & indefinite-lived intangible impairment	19,000	373,172	—	—
Asset impairment and write offs	11,871	17,677	7,651	9,256
Equity-based compensation	9,489	8,452	7,464	7,002
Veterinary Joint Venture EBITDA(1)	—	(4,135)	—	—
Mexico Joint Venture EBITDA(2)	14,227	7,614	12,419	9,440
Store pre-opening expenses	10,325	6,551	7,010	8,045
Store closing expenses	4,068	16,484	5,947	1,528
Severance	10,164	6,699	3,759	8,562
Non-cash occupancy-related costs(3)	32,763	4,339	17,089	26,006
Non-recurring costs(4)	20,385	28,706	13,498	18,459
Adjusted EBITDA	$ 424,547	$ 437,836	$ 335,749	$ 292,628
Net Sales	4,434,514	4,392,173	3,582,489	3,285,858
Adjusted EBITDA Margin	9.6%	10.0%	9.4%	8.9%

(1) Veterinary Joint Venture EBITDA represents 50% of the entity's operating results for years prior to Fiscal 2019, when the joint venture was accounted for as an equity method investment. Beginning in Fiscal 2019, this joint venture is now included in our consolidated results with the 50% portion we do not own being adjusted as a noncontrolling interest. We believe it is useful to include our portion of the results of this joint venture prior to Fiscal 2019, as it best reflects the actual performance of our overall business and improves comparability of our financial information. The Veterinary Joint Venture EBITDA is aligned with the portion of such entity's net loss that is included in (income) loss from equity method investees in the financial statements because such entity does not have similar items to those excluded in our calculation of Adjusted EBITDA.

(2) Mexico Joint Venture EBITDA represents 50% of the entity's operating results for all years, as adjusted to reflect the results on a basis comparable to our 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 our calculation of Adjusted EBITDA, we include our 50% interest in our 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:

(dollars in thousands)	Fiscal Year 2019 (52 weeks ended February 1, 2020)	Fiscal Year 2018 (52 weeks ended February 2, 2019)	Thirty-Nine Weeks Ended October 31, 2020	Thirty-Nine Weeks Ended November 2, 2019
Net Income	$ 8,662	$ 6,902	$ 7,165	$ 4,560
Depreciation	11,298	4,532	8,771	8,022
Income tax expense	4,107	3,673	4,527	3,225
Foreign currency gain (loss)	(406)	164	867	(82)
Interest expense (income), net	4,793	(43)	3,508	3,155
EBITDA	$ 28,454	$ 15,228	$ 24,838	$ 18,880
50% of EBITDA	$ 14,227	$ 7,614	$ 12,419	$ 9,440

(3) Non-cash occupancy-related costs include the difference between cash and straight-line rent for all periods. Beginning in Fiscal 2019, in connection with our adoption of the lease accounting standard, favorable lease rights of $125.2 million and unfavorable lease rights of $30.8 million were reclassified from intangible assets and other long-term liabilities, respectively, to right-of-use lease assets and the related amortization is now included in non-cash occupancy costs. In addition to the reclassification, the amortization period of these lease right assets has decreased to align with the terms of the underlying right-of-use lease assets, thus resulting in an acceleration of expense compared to prior years. The overall adoption of the

lease accounting standard did not have an impact on our Adjusted EBITDA, as this increase in addback was completely offset in other impacted lines such as lower depreciation and amortization, asset impairments and write-offs, and store closing expenses.

(4) Non-recurring costs include: unrealized fair market value adjustments on non-operating investments; class action settlements and related legal fees; one-time consulting and other costs associated with our strategic transformation initiatives; discontinuation and liquidation costs; and costs related to this offering. While we have incurred significant costs associated with the COVID-19 pandemic during the thirty-nine weeks ended October 31, 2020, we have not classified any of these costs as non-recurring due to the uncertainty surrounding the pandemic's length and long-term impact on the macroeconomic operating environment.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our historical consolidated financial statements and the accompanying notes included elsewhere in this prospectus. The discussion and analysis below contain certain forward-looking statements about our business and operations that are subject to the risks, uncertainties, and other factors described in the section entitled "Risk Factors," beginning on page 21, and elsewhere in this prospectus. These risks, uncertainties, and other factors could cause our actual results to differ materially from those expressed in, or implied by, the forward-looking statements. Please read the section entitled "Cautionary Note Regarding Forward-Looking Statements."

Overview

We are a beloved brand in the U.S. pet care industry with more than 55 years of service to pets and the people who love and care for them. Since our founding in 1965, we have been developing new standards in pet care, delivering comprehensive wellness solutions through our products and services, and creating communities that deepen the pet-parent bond. Over the last three years, we have transformed the business from a successful traditional retailer to a disruptive, fully-integrated, digital-focused provider of pet health and wellness offerings. We revamped our leadership team and invested over $300 million to build out leading capabilities across e-commerce and digital, owned brands, data analytics, and a full suite of on-site services including veterinary care. Our investments have delivered a comprehensive, integrated, and technology-enabled ecosystem of channels and offerings, complemented by a rapid innovation capability that is disrupting the pet market and providing pet parents with a differentiated holistic solution for all their pet care needs.

Our go-to-market strategy is powered by a multi-channel platform that integrates our strong digital presence with our nationwide physical network. Our data-driven digital footprint, consisting of an entirely redesigned e-commerce site and personalized mobile app, delivers an exceptional customer experience and serves as a hub for pet parents to manage their pets' health, wellness, and merchandise needs, while enabling them to shop wherever, whenever, and however they want. By strategically leveraging our extensive physical network consisting of approximately 1,470 pet care centers located within three miles of 54% of our customers, we are able to offer our comprehensive product and service offering in a localized manner with a meaningful last-mile advantage over our competition. Through our connected platform, we serve our customers in a differentiated manner by offering the convenience of ship-from-store, BOPUS, and curbside pick-up. This integrated, multi-channel approach clearly resonates with our customers, as the number of customers who engage with us across multiple channels has grown by 20% over the last three years. Further, these multi-channel customers spend between 3x to 6x more with us compared to single-channel customers. In the last 12 months ended October 31, 2020, we achieved approximately 80% retention of our multi-channel customers.

Through our multi-channel platform, we provide a comprehensive offering of differentiated products and services that fulfill all the needs of pet parents and their pets. Our product offering leverages our owned brand portfolio and partnerships with premium third-party brands to deliver high quality food that avoids artificial ingredients, complemented by a wide variety of premium pet care supplies. We augment this premier product offering with a broad suite of professional services, including grooming as well as in-store and online training. Our service offering is further enhanced by a rapidly expanding, affordable veterinary service platform, which includes full-service veterinary hospitals, Vetco clinics, and tele-veterinarian services. In addition, we are increasingly linking our offerings with subscription programs such as membership and pet health insurance that create deeper engagement with our over 21 million Active Customers as of October 31, 2020, with our Pals loyalty program members accounting for approximately 80% of transactions in the thirty-nine weeks ended October 31, 2020. In addition to providing differentiated products and services, our over 23,000 knowledgeable, passionate partners provide important high-quality advice to our customers in our pet care centers. With our integrated platform and comprehensive offering, we provide a complete pet health and wellness ecosystem that drives engagement across our enterprise and creates life-long customer relationships.

How We Assess the Performance of Our Business

In assessing our performance, we consider a variety of performance and financial measures:

Comparable Sales

Comparable sales is an important measure throughout the retail industry and includes both retail and digital sales of products and services. A new location or digital site is included in comparable sales beginning on the first day of the fiscal month following 12 full fiscal months of operation and is subsequently compared to like time periods from the previous year. Relocated stores become comparable stores on the first day of operation if the original store was open longer than 12 full fiscal months. If, during the period presented, a store was closed, sales from that store are included up to the first day of the month of closing. Additionally, our comparable sales exclude the impact of the wind-down and migration of our Drs. Foster & Smith digital site to Petco.com in Fiscal 2018 and Fiscal 2019. There may be variations in the way in which some of our competitors and other retailers calculate comparable sales. As a result, data in this prospectus regarding our comparable sales may not be comparable to similar data made available by other retailers.

Comparable sales allow us to evaluate how our overall ecosystem is performing by measuring the change in period-over-period net sales from locations and digital sites that have been open for the applicable period. We intend to improve comparable sales by continuing initiatives aimed to increase customer retention, frequency of visits, and basket size. General macroeconomic and retail business trends are a key driver of changes in comparable sales.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA is defined as net loss attributable to members excluding:

- interest expense, net and losses on debt extinguishment;
- income tax (benefit) expense;
- depreciation, amortization, asset impairments, and write-offs;
- (income) loss from equity method investees;
- goodwill and indefinite-lived intangible impairment;
- equity-based compensation;
- pre-opening and closing expenses;
- non-cash occupancy-related costs;
- severance expenses; and
- other non-recurring costs.

We believe it is useful to exclude these items that are non-cash or non-routine in nature, as they are not components of our business operations and may not directly correlate to the underlying performance of our business. In addition, we add back 50% of EBITDA related to our 50% owned veterinary joint venture for years prior to Fiscal 2019 (in Fiscal 2019, we began consolidating this joint venture in our financial results) and our 50% owned Mexico joint venture for all periods. We believe it is useful to include our portion of the results of these joint ventures, as it reflects the performance of key components of our business, including veterinary services and international operations, and presents more comparable EBITDA-based financial information rather than (income) loss on a standalone basis.

We define Adjusted EBITDA margin as Adjusted EBITDA divided by net sales. We expect adjusted EBITDA margin to improve over the long term. Please read “Selected Consolidated Financial and Other Data—Non-GAAP Financial Measures” for more information regarding our use of Adjusted EBITDA and Adjusted EBITDA Margin and a reconciliation to net (loss) income attributable to members, the most comparable GAAP measure.

Total Active Customers

As of the last date of a reporting period, Total Active Customers is defined as the total number of trackable unique customers (including Pals Loyalty members) that have made at least one transaction with us, across any of our channels, during the prior 12-month period. We view the number of Total Active Customers as an indicator of our scale, the reach of our integrated platform, consumer awareness of our brand, and our growth.

Total Active Multi-Channel Customers

As of the last date of a reporting period, Total Active Multi-Channel Customers is defined as the total number of trackable unique customers that have transacted with us across at least two of our channels during the prior 12-month period. For purposes of tracking these customers, we consider our channels to be our (1) pet care center merchandise, (2) e-commerce and digital, (3) grooming and training services, and (4) veterinary services including veterinary hospitals and Vetco clinics. We view the number of Total Active Multi-Channel Customers as an indicator of our ability to engage with customers both digitally and through our nationwide physical network, address customer product and service needs, and capture a greater share of wallet.

Factors Affecting Our Business

We believe that our performance and future success depend on a number of factors that present significant opportunities for us but also pose risks and challenges, including those discussed below and in the section of this prospectus titled “Risk Factors.”

Pet Industry Trends

The U.S. pet care industry is a large, attractive growth market experiencing a significant acceleration in response to multiple secular consumer themes. In 2020, the industry is estimated to serve more than 72 million households with pets, representing a total addressable market of $97 billion. Due to its non-discretionary nature, the market has demonstrated a long-term track record of consistent growth and resilience throughout economic cycles. From 2020 to 2024, the industry is expected to grow at a 7% CAGR, driven by steady, predictable growth in the underlying pet population coupled with strong tailwinds associated with pet humanization and COVID-19.

Customer Pet Purchase Trends

We have focused on building our complete pet care ecosystem to cover all the ways customers want to shop for their pet care needs. As we saw the major purchase trend shift and growth into areas like e-commerce, services, and veterinary care, we actively invested to build capabilities and offerings to effectively capitalize on the opportunity. Our business will be impacted by our ability to continue to understand and react to changing customer purchase trends.

Customer Acquisition, Retention, and Spend

Our business is impacted by our ability to successfully attract new customers to any one of our channels, build their loyalty to engender return visits, and expand their spend with Petco across multiple purchase channels (e.g., pet care centers, e-commerce, and services) and categories (e.g., pet food, supplies, and companion animal). This is the primary focus of all our customer engagement efforts from digital, to performance marketing campaigns, to new product introductions, and to Petco partner cross-selling activities in pet care centers. The ability to convert more of our customers to loyal, multi-channel shoppers will affect business performance.

Innovation and Transformation

Our operating results over the last two years reflect significant investments made to support innovation and business transformation strategies. These investments include: digital and e-commerce integration and expansion; data analytical capabilities; veterinary services; marketing and advertising; and our owned brands. We also have developed advanced sales reporting that provides our pet care center General Managers and field leadership teams with data to track performance across multiple dimensions, identify opportunities, and execute strategies to drive incremental sales.

Specifically, some of these investments have included:

- Approximately $185.1 million of capital investments in Fiscal 2019 and Fiscal 2018 in our new and existing pet care center locations, including the build-out of over 70 veterinary hospitals.
- Approximately $106.8 million of capital investments in Fiscal 2019 and Fiscal 2018 related to digital and information technology, specifically the development of integration capabilities with our pet care center locations, our Petco App, and the development and deployment of data analytical and reporting capabilities.
- An $18.1 million increase in advertising in Fiscal 2019 compared to Fiscal 2018, representing the strategic rightsizing of our go-forward advertising footprint. For the thirty-nine weeks ended October 31, 2020, advertising expenses increased $56.9 million compared to the prior year period to further adapt our advertising footprint to support the acceleration of our e-commerce and digital sales growth.
- Over $10.0 million investment in pet care center payroll-related costs in Fiscal 2019 related to comprehensive selling training to all partners, and to support and execute transformation initiatives.

While these investments provided a key foundation and drive increased sales, ongoing performance of the business will depend on our ability to leverage our existing distribution network and pet care center locations for product delivery and fulfillment, including implementing BOPUS and curbside pick-up, and build upon and enhance these efforts.

Gross Margin and Expense Management

Our operating results are impacted by our ability to convert revenue growth into higher gross margin and operating margin. The sales mix related to consumables, supplies and services, with services typically having lower margins, and customer shopping preferences impacting our gross margin results. We focus gross margin and expense management on achieving a balance between ensuring adequate resource spend to grow sales with attention to driving increased profitability. The business has successfully implemented cost optimization initiatives in the past and will continue to find opportunities to enhance profit margins and operate more efficiently in the future.

Talent and Culture

We see our Petco partners as the core to building a purpose-driven performance culture. Our business results rely on our ability to continually: add talented partners, specifically in our scaling business areas like e-commerce, veterinary care, and grooming and training services; provide the best tools, partner training, and competitive compensation to deliver higher sales and better customer experiences; and engender a positive, collaborative, and respectful working environment. Our Partners represent the strength of our brand every day and are key to ongoing growth.

Impact of the COVID-19 Pandemic on Our Business

The ongoing COVID-19 pandemic has impacted every aspect of the economy, including employment, consumer spending patterns, living and working conditions, and the viability of certain business sectors. As an essential retailer, all of our pet care centers have remained open, as we are the grocery store, pharmacy, and doctor's office for many of our nation's pets. Market data indicates that with more of the working population staying home, there has been an increase in pet ownership and the percentage of disposable income spent on home-related goods and services, including pet care. This macroeconomic trend is favorably impacting our business results to date, but the possible sustained spread or resurgence of the pandemic, and any government response thereto, increases the uncertainty regarding future economic conditions that will impact our business in the future.

We have quickly adapted our business and operations since the start of the pandemic to ensure, first and foremost, the health and safety of our partners, the animals in our care, and the customers we serve. These adaptations include: providing additional paid-time off and four cycles of appreciation bonuses to our frontline partners; establishing a $2.0 million employee support fund to assist our partners and their families impacted by the pandemic; investing in sanitation, plexiglass barriers, signage, and personal protective equipment; and adopting strict safety protocols that limit direct human interactions and promote social distancing, including temporarily reducing pet care center hours during the initial phase of the pandemic.

We were well-positioned to meet the increasing and evolving needs of pets and their parents at the onset of the pandemic. In March 2020, we experienced significant increases in customer pet food purchases, or pantry loading, and were able to maintain our in-stock levels for pet food products despite the sudden change in demand. As the months progressed, our sales growth shifted to our supplies category, due to an increase in pet ownership and shifts in disposable income spending toward pets. We deprioritized our companion animal business in the early months of the pandemic to enable our partners to focus on essential customer needs during reduced pet care center hours and to minimize the health and safety risk for our partners. As stay-at-home orders began to lift and pet care center hours normalized, we quickly accelerated companion animal sourcing to catch up with growing customer demands. In services, to ensure partner safety, we temporarily suspended our training services and vaccination clinic operations, and we reduced our grooming capacity while stay-at-home orders were in place. Although we had experienced increasing customer demand for services before the pandemic, sales attributable to such services declined significantly from March through May 2020 as a result of the suspension.

We have experienced a significant acceleration of our e-commerce business, particularly as it relates to the integrated offering with our pet care centers. Our ship-from-store capability enabled us to maintain regular shipping timelines during a period when the broader market experienced difficulties. We capitalized on our BOPUS capability and rolled out curbside pick-up in a matter of weeks, enabling us to get products to customers faster and at a higher margin than online retailers that incur costs to ship products to their customers. We have incurred additional expenses to support our e-commerce business and integrated pet care center offerings. While pet care center customer traffic spiked at the onset of the pandemic with food pantry loading then decreased significantly as stay-at-home orders were put in place, our pet care center performance has improved as customers benefit from the combination of our e-commerce and digital platform and our integrated pet care center locations offering both convenient order pick-up and essential pet services.

We have taken a number of precautionary measures to ensure financial flexibility and maximize liquidity. We drew $250.0 million on the revolving credit facility in March 2020 given the uncertainty of the macroeconomic environment at the start of the pandemic, but as a result of our strong financial performance to-date, we have repaid the balance in full and have no amounts outstanding as of October 31, 2020. We temporarily suspended capital expenditures to preserve liquidity, but as our financial results surpassed earlier expectations, we have returned to our initial capital plan. In efforts to control expenses, we negotiated discounts and concessions with landlords and vendors, executed disciplined prioritization across corporate and store expenses, and temporarily furloughed or implemented temporary pay cuts for non-frontline partners.

We may need to make future adaptions to our business model and/or take other temporary or precautionary measures as a result of any possible sustained spread or resurgence of the pandemic. Any future actions will continue to prioritize the safety of our partners and customers while simultaneously focusing on the dynamic needs of our customers.

Significant Components of Results of Operations

Net Sales

Our net sales comprise gross sales of products and services, net of sales tax and certain discounts and promotions offered to our customers, including those offered under our customer loyalty programs. Net sales are driven by comparable sales, new pet center locations, and expanded offerings.

Cost of Sales and Gross Profit

Gross profit is equal to our net sales minus our cost of sales. Gross profit rate measures gross profit as a percentage of net sales.

Our cost of sales includes the following types of expenses:

- direct costs net of vendor rebates, allowances, and discounts for products sold, including inbound freight charges;
- shipping and handling costs;
- inventory shrinkage costs and write-downs;
- payroll costs of pet groomers, trainers, veterinarians, and other direct costs of services; and
- costs associated with operating our distribution centers including payroll, occupancy costs and depreciation.

Our digital gross profit rate tends to be lower than the gross profit rate from sales in our pet care centers due to incremental costs associated with shipping and other expenses of delivery to customers. In addition, our gross profit rate tends to be lower for services than for products.

Selling, General, and Administrative Expense

The following types of expenses are included in our selling, general, and administrative costs (“SG&A”):

- payroll costs of pet care center employees and management;
- store occupancy and utilities costs (including rent, depreciation, common area maintenance, and real estate taxes);
- other costs associated with store operations;
- credit and debit card fees and other third-party transaction fees like those charged by Paypal;
- store pre-opening and remodeling costs;
- advertising expenses; and
- general and administrative costs, including payroll and other costs associated with management and other support functions.

SG&A includes both fixed and variable costs and therefore is not directly correlated with net sales. We expect that our SG&A expenses will increase in future periods due to additional expenses we expect to incur as a result of being a public company, including stock-based compensation.

Goodwill and Indefinite-Lived Intangible Impairment

In connection with the Fiscal 2015 acquisition by our current Sponsors, we recorded goodwill of approximately $3.0 billion and an indefinite-lived trade name asset of $1.1 billion. We evaluate these assets for impairment annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Please read the discussion of these assets under "Critical Accounting Policies and Estimates."

Interest Expense

Our interest expense is primarily associated with the senior secured credit facilities, the Floating Rate Senior Notes, the 3.00% Senior Notes, and interest rate caps. Please read discussion under "—Liquidity and Capital Resources—Sources of Liquidity—Derivative Financial Instruments."

Income Tax Benefit

Income taxes consist of an estimate of federal and state income taxes based on enacted federal and state tax rates, as adjusted for allowable credits, deductions, and the valuation allowance against deferred tax assets, as applicable.

(Income) Loss from Equity Method Investees

Our equity method investments prior to Fiscal 2019 consisted primarily of our 50% owned veterinary joint venture and our 50% owned Mexico joint venture. Beginning in Fiscal 2019, the veterinary joint venture is now included in our consolidated results. Please read "Net Loss Attributable to Non-controlling Interest" below for more information regarding our non-controlling interests.

Net Loss Attributable to Non-controlling Interest

The non-controlling interest represents 50% of the net loss of our veterinary joint venture, which is a variable interest entity for which we were deemed to be the primary beneficiary beginning in Fiscal 2019 due to revisions made in the joint operating agreement. Prior to Fiscal 2019, the veterinary joint venture was accounted for as an equity method investment.

Executive Summary

Our business transformation initiatives, accelerated by an increase in pet ownership and a shift in customer discretionary spend on pets, have driven strong top- and bottom-line growth in our business. Comparing the first thirty-nine weeks of Fiscal 2020 and Fiscal 2019, we achieved the following results:

- increase in net sales from $3.29 billion to $3.58 billion, representing period-over-period growth of 9.0%;
- comparable sales growth of 9.6%;
- increase in operating income from $69.5 million to $127.4 million, representing period-over-period growth of 83.5%;
- a decrease in net loss attributable to members from $(88.7) million to $(20.3) million, representing a period-over-period improvement of 77.1%; and
- an increase in Adjusted EBITDA from $292.6 million to $335.7 million, representing period-over-period growth of 14.7%.

For a description of our non-GAAP measures and reconciliations to their most comparable U.S. GAAP measures, please read the section titled "Selected Historical Consolidated Financial Data—Non-GAAP Financial Measures."

Results of Operations

The following table summarizes our results of operations and the percent of net sales of line items included in our consolidated statements of operations:

	Fiscal Year		Thirty-Nine Weeks Ended	
	2019 (52 weeks ended February 1, 2020)	2018 (52 weeks ended February 2, 2019)	October 31, 2020	November 2, 2019
Statements of Operations Data (dollars in thousands):				
Net sales	$ 4,434,514	$ 4,392,173	$ 3,582,489	$ 3,285,858
Cost of sales	2,527,995	2,487,334	2,045,016	1,877,237
Gross profit	1,906,519	1,904,839	1,537,473	1,408,621
Selling, general, and administrative expenses	1,776,919	1,746,387	1,410,024	1,339,154
Goodwill and indefinite-lived intangible impairment	19,000	373,172	—	—
Operating income (loss)	110,600	(214,720)	127,449	69,467
Interest income	(335)	(420)	(332)	(201)
Interest expense	253,018	243,744	169,096	192,222
Loss on extinguishment of debt	—	460	—	—
Loss before income taxes and (income) loss from equity method investees	(142,083)	(458,504)	(41,315)	(122,554)
Income tax benefit	(35,658)	(45,840)	(13,537)	(28,263)
(Income) loss from equity method investees	(2,441)	1,124	(2,952)	(326)
Net loss	(103,984)	(413,788)	(24,826)	(93,965)
Net loss attributable to noncontrolling interest	(8,111)	—	(4,502)	(5,263)
Net loss attributable to members	$ (95,873)	$ (413,788)	$ (20,324)	$ (88,702)

	Fiscal Year		Thirty-Nine Weeks Ended	
	2019 (52 weeks ended February 1, 2020)	2018 (52 weeks ended February 2, 2019)	October 31, 2020	November 2, 2019
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	57.0	56.6	57.1	57.1
Gross profit	43.0	43.4	42.9	42.9
Selling, general and administrative expenses	40.1	39.8	39.4	40.8
Goodwill and indefinite-lived intangible impairment	0.4	8.5	—	—
Operating income (loss)	2.5	(4.9)	3.5	2.1
Interest income	(0.0)	(0.0)	(0.0)	(0.0)
Interest expense	5.7	5.5	4.7	5.9
Loss on extinguishment of debt	—	0.0	—	—
Loss before income taxes and (income) loss from equity method investees	(3.2)	(10.4)	(1.2)	(3.8)
Income tax benefit	(0.8)	(1.0)	(0.4)	(0.9)
(Income) loss from equity method investees	(0.1)	0.0	(0.1)	0.0
Net loss	(2.3)	(9.4)	(0.7)	(2.9)
Net loss attributable to noncontrolling interest	(0.2)	—	(0.1)	(0.2)
Net loss attributable to members	(2.1)%	(9.4)%	(0.6)%	(2.7)%
Operational Data:				
Comparable sales increase (decrease)	3.9%	(1.1)%	9.6%	4.0%

	Fiscal Year		Thirty-Nine Weeks Ended	
	2019 (52 weeks ended February 1, 2020)	2018 (52 weeks ended February 2, 2019)	October 31, 2020	November 2, 2019
Total pet care centers at end of period	1,478	1,490	1,468	1,488
Total pet care centers with veterinarian practices at end of period	81	39	105	70
Total Active Customers (in thousands)	19,651	19,075	21,462	19,727
Total Active Multi-Channel Customers (in thousands)	3,024	2,786	3,531	3,000
Net loss margin(1)	(2.3)%	(9.4)%	(0.7)%	(2.9)%
Adjusted EBITDA (in thousands)(2)	$ 424,547	$ 437,836	$ 335,749	$ 292,628
Adjusted EBITDA margin(2)	9.6%	10.0%	9.4%	8.9%

(1) Net loss margin is defined as net loss divided by net sales.

(2) Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. Please read “Selected Historical Consolidated Financial Data—Non-GAAP Financial Measures” for additional information regarding these non-GAAP financial measures and a reconciliation to the most comparable GAAP measures of each.

Thirty-nine weeks ended October 31, 2020 compared with thirty-nine weeks ended November 2, 2019

Net Sales and Comparable Sales

Net sales increased $296.6 million, or 9.0%, to $3.58 billion for the thirty-nine weeks ended October 31, 2020 compared to net sales of $3.29 billion for the thirty-nine weeks ended November 2, 2019 driven by a 9.6% increase in our comparable sales. With our investments in our business over the past two years, we were, and continue to be, well-positioned to meet the increasing and evolving needs of pets and their parents. Our sales growth period-over-period was a result of these investments, coupled with an increase in pet ownership and a shift in consumer spending toward the pet category as a result of the COVID-19 pandemic. Our e-commerce and digital sales increased from 7.0% of total net sales for the thirty-nine weeks ended November 2, 2019 to 13.3% of total net sales for the thirty-nine weeks ended October 31, 2020 driven by a change in consumer shopping preferences. With an integrated offering that includes BOPUS, curbside pick-up, and ship-from-store, we were able to quickly get products to customers in a safe manner regardless of their delivery or pick-up preference.

Supplies and companion animal sales increased $274.7 million due to increases in pet ownership and shifts in disposable income toward pets and represented 47.7% of sales in the thirty-nine weeks ended October 31, 2020 compared to 43.6% of sales in the thirty-nine weeks ended November 2, 2019. Dog and cat food sales increased $24.2 million and represented 43.2% of sales in the thirty-nine weeks ended October 31, 2020 compared to 46.4% of sales in the thirty-nine weeks ended November 2, 2019. Services sales decreased $13.6 million and represented 7.9% of sales in the thirty-nine weeks ended October 31, 2020 compared to 9.1% of sales in the thirty-nine weeks ended November 2, 2019. The decrease was due to the temporary suspension of our training services and vaccination clinic operations and reducing our grooming capacity while stay-at-home orders were in place to ensure the safety of our partners. Slightly offsetting these decreases was growth in our hospital business of $33.3 million due to increases in comparable sales and the addition of 35 new hospitals period-over-period.

Cost of Goods Sold and Gross Profit

Gross profit increased $128.9 million, or 9.1%, to $1.54 billion for the thirty-nine weeks ended October 31, 2020 compared to gross profit of $1.41 billion for the thirty-nine weeks ended November 2, 2019. As a percentage of sales, our gross profit rate was consistent at 42.9% for the thirty-nine weeks ended October 31, 2020 and November 2, 2019. The increase in gross profit was due to the overall increase in net sales. Gross profit rate was impacted by the shift in sales mix to our supplies category, which typically carries higher margins, from our services category, which typically carries lower margins during the thirty-nine weeks ended October 31, 2020. However, this increase was offset by the shift in sales to e-commerce, which typically carries lower margins than pet care center sales. E-commerce sales margins benefitted by the growth in BOPUS, curbside delivery, and ship-from-store, which typically carry higher margins as they reduce or eliminate shipping costs associated with online sales. Approximately 80% of Petco.com orders were fulfilled by our pet care centers during the thirty-nine weeks ended October 31, 2020.

Slightly offsetting the growth in gross profit period-over-period were COVID-related expenses of approximately $6.3 million for appreciation bonuses for our frontline services partners, including groomers, trainers and veterinarians, and distribution center partners and approximately $1.3 million due to increased sanitation costs at our distribution centers and for purchases of personal protective equipment.

Selling, General and Administrative Expenses

SG&A expenses increased $70.9 million, or 5.3%, to $1.41 billion for the thirty-nine weeks ended October 31, 2020 compared to $1.34 billion for the thirty-nine weeks ended November 2, 2019. As a percentage of net sales, SG&A expenses decreased from 40.8% in the thirty-nine weeks ended November 2, 2019 to 39.4% in the thirty-nine weeks ended October 31, 2020. The increase in expense period-over-period was driven by a $56.9 million increase in advertising expenses to support the acceleration of our e-commerce and digital sales growth; $14.6 million of COVID-related appreciation bonuses for our frontline pet care center partners; $9.3 million of COVID-related expenses for sanitation, safety-related costs, personal protective equipment and the establishment of our employee assistance fund; and $6.1 million of expenses incurred in connection with the public offering. Slightly offsetting these increases was a decrease in pet care center payroll costs of $12.7 million due to reduced pet care center hours and focus on essential selling activities during the early months of the pandemic.

Interest Expense

Interest expense decreased $23.1 million, or 12.0%, to $169.1 million in the thirty-nine weeks ended October 31, 2020 compared with $192.2 million in the thirty-nine weeks ended November 2, 2019. The decrease was primarily driven by lower interest rates, slightly offset by an increase in our average revolver balance period-over-period. In March 2020, we borrowed $250.0 million on the revolving credit facility as a precautionary measure given the uncertainty of the macroeconomic environment at the start of the COVID-19 pandemic. We subsequently repaid the amount in full and had no borrowings outstanding as of October 31, 2020. We expect that our interest expense will continue to decrease following the completion of this offering as we intend to use a portion of the net proceeds from this offering to redeem, after the Recapitalization, the remaining Floating Rate Senior Notes and the remainder of the proceeds, plus cash on hand, to repay a portion of the term loan facility.

Income Tax Benefit

Our effective tax rate was 41.0% for the thirty-nine weeks ended October 31, 2020, resulting in an income tax benefit of $13.5 million, compared to an effective tax rate of 24.2% and income tax benefit of $28.3 million in the thirty-nine weeks ended November 2, 2019. The increase in effective tax rate is driven by the remeasurement of deferred tax assets related to $67.4 million of net operating losses available under the CARES Act that are expected to be carried back to fiscal year(s) before the U.S Tax Cuts and Jobs Act (“Tax Act”) was enacted, which resulted in a benefit of $8.5 million.

Net Loss Attributable to Members

Net loss attributable to members decreased $68.4 million to $20.3 million in the thirty-nine weeks ended October 31, 2020 compared with a net loss attributable to members of $88.7 million in the thirty-nine weeks ended November 2, 2019. The improvement period-over-period was primarily driven by higher gross margin of $128.9 million and lower interest expense of $23.1 million, slightly offset by higher SG&A costs of $70.9 million and a lower income tax benefit of $14.7 million.

Fiscal 2019 (52 weeks) compared with Fiscal 2018 (52 weeks)

Net Sales and Comparable Sales

Net sales increased $42.3 million, or 1.0%, to $4.43 billion for Fiscal 2019 compared to net sales of $4.39 billion in Fiscal 2018 driven by a 3.9% increase in our comparable sales. Our sales growth year-over-year was a result of our overall pet care center sales performance, particularly our services, which increased $57.8 million and represented 9.1% of our total sales in Fiscal 2019 compared to 7.9% of sales in Fiscal 2018. The increase in services as a percentage of total net sales was driven by our grooming business and our veterinary hospitals. We added 42 veterinary hospitals during Fiscal 2019 bringing our total number of hospitals to 81 as of the end of the year compared with 39 hospitals as of the end of Fiscal 2018. Dog and cat food sales increased $8.7 million and remained a consistent percentage of our sales mix year-over-year. Slightly offsetting these increases was a decrease in our supplies and companion animal sales of $29.1 million, which was primarily attributable to the wind-down and migration of our Drs. Foster & Smith digital site to Petco.com. As noted above, our comparable sales exclude sales related to the Drs. Foster & Smith digital site.

Cost of Goods Sold and Gross Profit

Gross profit increased $1.7 million, or 0.1%, to $1.91 billion in Fiscal 2019 from gross profit of $1.90 billion in Fiscal 2018. Our overall gross profit increase was driven by our comparable sales growth in Fiscal 2019 and lower distribution center costs of $13.1 million driven by productivity enhancements and cost management initiatives, slightly offset by $7.0 million in higher distribution freight costs due to rate and fuel increases year-over-year. As a percentage of sales, our gross profit rate decreased to 43.0% compared to 43.4% in Fiscal 2018. The decrease in gross profit rate was primarily a result of a shift in overall sales mix due to an increase in services revenue, which typically carries lower margins. Slightly offsetting the decrease in gross profit rate was margin improvement due to an increase in sales of our owned brands, which carry higher gross margins and surpassed $1.0 billion in annual sales in Fiscal 2019. Our owned brand food and supplies represented 27.1% of merchandise sales in Fiscal 2019 compared to 24.4% of merchandise sales in Fiscal 2018.

Selling, General and Administrative Expenses

SG&A expenses increased $30.5 million, or 1.7%, to $1.78 billion in Fiscal 2019 compared to $1.75 billion in Fiscal 2018. As a percentage of net sales, SG&A expenses increased from 39.8% in Fiscal 2018 to 40.1% in Fiscal 2019. The increase is primarily driven by: higher advertising expense of $18.1 million due to investments in right-sizing our advertising footprint; a $12.0 million increase occupancy-related costs primarily due to an acceleration of non-cash lease rights expense as a result of adopting the lease accounting standard in Fiscal 2019; $12.0 million of hospital and general support costs associated with our veterinary joint venture that we began consolidating in Fiscal 2019; and an $11.0 million increase in pet care center payroll-related costs driven by investments in connection with our retail transformation initiative. Slightly offsetting these increases was lower depreciation and amortization expense of $13.5 million due to more assets becoming fully depreciated and $5.0 million in proceeds from the settlement of a legal claim.

Goodwill and Indefinite-lived Intangible Impairment

Our annual impairment test in Fiscal 2019 indicated that the fair value of our single reporting unit exceeded the carrying value, and therefore no goodwill impairment charge was recorded. In Fiscal 2018, our annual impairment test resulted in a charge of $290.2 million driven by a combination of market conditions, increased competition from online competitors, and decreased financial performance.

The annual impairment analysis of our indefinite-lived trade name asset resulted in impairment charges of $19.0 million and $83.0 million in Fiscal 2019 and Fiscal 2018, respectively, driven by a combination of market conditions, increased competition from online competitors, and decreased financial performance.

Interest Expense

Interest expense increased $9.3 million, or 3.8%, to $253.0 million in Fiscal 2019 compared with $243.7 million in Fiscal 2018. The increase in expense was primarily driven by higher interest rates and a higher average revolver balance year-over-year.

Income Tax Benefit

Our effective tax rate was 27.3% in Fiscal 2019, resulting in an income tax benefit of $35.7 million, compared to an effective tax rate of 9.9% and income tax benefit of $45.8 million in Fiscal 2018. The increase in our effective tax rate in Fiscal 2019 was primarily due to the non-deductible goodwill impairment charge impacting our rate in Fiscal 2018. The lower effective tax rate in Fiscal 2018 was primarily due to the Tax Act that was enacted in December 2017.

Net Loss Attributable to Members

Net loss attributable to members decreased $317.9 million to $95.9 million in Fiscal 2019 compared with a net loss of $413.8 million in Fiscal 2018. The improvement year-over-year was primarily driven by lower goodwill and indefinite-lived intangible impairment of $354.2 million and leverage in our SG&A corporate support costs, slightly offset by planned increases in advertising and investments to support our transformation initiatives in-store operations, grooming, and veterinary expansion.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are funds generated by operating activities and borrowings from the revolving credit facility. Our ability to fund our operations, to make planned capital investments, to make scheduled debt payments and to repay or refinance indebtedness depends on our future operating performance and cash flows, which are subject to prevailing economic conditions and financial, business, and other factors, some of which are beyond our control. Cash and cash equivalents totaled $195.8 million as of October 31, 2020. We believe that our current resources, together with anticipated cash flows from operations and borrowing capacity under the revolving credit facility will be sufficient to finance our operations, meet our current debt obligations, and fund anticipated capital investments for the next 12 months. We may, however, seek additional financing to fund future growth or refinance our existing indebtedness through the debt capital markets, but we cannot be assured that such financing will be available on favorable terms, or at all.

Cash Flows

The following table summarizes our consolidated cash flows:

	Fiscal Year		Thirty-Nine Weeks Ended	
(dollars in thousands)	2019 (52 weeks ended February 1, 2020)	2018 (52 weeks ended February 2, 2019)	October 31, 2020	November 2, 2019
Total cash provided by (used in):				
Operating activities	$ 110,337	$ 203,202	$ 201,480	$ (34,248)
Investing activities	(139,041)	(142,682)	(95,920)	(119,220)
Financing activities	(3,071)	(32,099)	(51,124)	117,595
(Decrease) increase in cash, cash equivalents and restricted cash	$ (31,775)	$ 28,421	$ 54,436	$ (35,873)

Operating Activities

Our primary source of operating cash is sales of products and services to customers, which are substantially all on a cash basis and therefore provide us with a significant source of liquidity. Our primary uses of cash in operating activities include purchases of inventory; freight and warehousing costs; employee-related expenditures; occupancy-related costs for our pet care centers, distribution centers and corporate support centers; credit card fees; interest under our debt agreements; and marketing expenses. Net cash provided by operating activities is impacted by our net loss adjusted for certain non-cash items, including: depreciation, amortization, impairments and write-offs; amortization of debt discounts and issuance costs; deferred income taxes; equity-based compensation; impairments of goodwill and intangible assets; and the effect of changes in operating assets and liabilities.

Net cash provided by operating activities was $201.5 million in the thirty-nine weeks ended October 31, 2020 compared with net cash used in operating activities of $34.2 million in the thirty-nine weeks ended November 2, 2019. The increase was driven by net sales growth of $296.6 million period-over-period driven by our strategic investments, the increase in pet ownership and shift in consumer spending toward the pet category as a result of the COVID-19 pandemic. A decrease in cash payments for interest of $43.6 million driven by the timing of quarterly payments and lower interest rates, and a $28.6 million CARES Act deferral of the employer portion of certain payroll taxes also contributed to the increase. This was offset by an increase in cash paid for advertising of $50.4 million, a $33.8 million increase in cash paid for shipping costs on higher e-commerce and digital sales, $31.6 million in COVID-19 related expenses, a $10.3 million increase in legal and professional fees primarily related to the public offering, and the timing and volume of inventory purchases.

Net cash provided by operating activities was $110.3 million in Fiscal 2019 compared with $203.2 million in Fiscal 2018. This was driven by a timing-related decrease of $25.0 million in cash collections on trade accounts receivable, $22.3 million in planned increases in cash paid for advertising to support our transformation initiatives, and $14.8 million of net cash used in operating activities by our veterinary joint venture, which we began consolidating beginning in Fiscal 2019. Increases of $4.4 million in cash paid for interest and $3.7 million in cash paid for income taxes also contributed to the decrease. The remaining decrease is primarily due to changes in other assets and liabilities, specifically the timing of inventory purchases and payments on accounts payable.

Investing Activities

Cash used in investing activities consists primarily of capital expenditures, which in Fiscal 2019 and Fiscal 2018 primarily supported our transformation initiatives. Net cash used in investing activities was $95.9 million and $119.2 million for the thirty-nine weeks ended October 31, 2020 and November 2, 2019, respectively. The decrease in capital spend period-over-period was due to a strategic decision to temporarily suspend capital expenditures in the early months of the COVID pandemic to preserve liquidity given the uncertainty in the macroeconomic environment. Our capital expenditures resumed as our operations stabilized and financial results improved, and for Fiscal 2020, we now expect to incur capital expenditures as originally planned.

Net cash used in investing activities was $139.0 million in Fiscal 2019 compared with $142.7 million in Fiscal 2018 and related primarily to capital expenditures. Offsetting our cash used for capital expenditures in Fiscal 2019 was proceeds from the sale-leaseback of our San Antonio corporate support center, for which we received net proceeds of $18.5 million. The sale-leaseback enabled us to enhance our liquidity and fund investments to support our strategic growth and transformation initiatives.

The majority of our capital expenditures are discretionary in nature and made to expand our business. In Fiscal 2020, we expect to spend approximately $165.0 million to $180.0 million in capital expenditures.

Capital expenditures by category during the periods set forth below are as follows:

(dollars in thousands)	Fiscal Year 2020 Estimate (52 weeks ending January 30, 2021)	Fiscal Year 2019 (52 weeks ended February 1, 2020)	Fiscal Year 2018 (52 weeks ended February 2, 2019)	Thirty-Nine Weeks Ended October 31, 2020	Thirty-Nine Weeks Ended November 2, 2019
New and existing pet care center locations	$ 95,000 – 100,000	$ 100,394	$ 84,671	$ 54,757	$ 80,906
Digital and Information technology	65,000 – 70,000	51,358	55,465	35,379	34,713
Supply chain and other	5,000 – 10,000	5,154	7,927	6,153	3,581
Total capital expenditures	$ 165,000 – 180,000	$ 156,906	$ 148,063	$ 96,289	$ 119,200

Financing Activities

Financing activities primarily consist of borrowings and paydowns on the revolving credit facility to support the working capital needs of the business and principal payments on the term loan facility of $25.3 million per year.

Net cash used in financing activities was $51.1 million for the thirty-nine weeks ended October 31, 2020 and primarily consisted of term loan principal payments of $18.9 million and net payments on the revolving credit facility of $29.0 million. At the start of the COVID pandemic in March 2020, we took a precautionary draw on the revolving credit facility of $250.0 million. As operations stabilized and financial results improved, the balance was repaid in full and no amounts were outstanding as of October 31, 2020.

Net cash provided by financing activities was $117.6 million for the thirty-nine weeks ended November 2, 2019 and primarily consisted of term loan principal payments of $18.9 million and net borrowings on the revolving credit facility of $141.0 million to support the working capital needs of the business. The outstanding balance on the revolving credit facility was $141.0 million as of November 2, 2019.

Net cash used in financing activities was $3.1 million in Fiscal 2019 and primarily consisted of term loan principal payments of $25.3 million and net borrowings on the revolving credit facility of $29.0 million to support the working capital needs of the business. The outstanding balance on the revolving credit facility was $29.0 million as of February 1, 2020.

Net cash used in financing activities was $32.1 million in Fiscal 2018 and primarily consisted of term loan principal payments of $25.3 million. No amounts were outstanding on the revolving credit facility as of February 2, 2019.

Sources of Liquidity

Senior Secured Credit Facilities

Petco Animal Supplies has a $2,525.0 million term loan facility maturing on January 26, 2023, which was most recently amended on January 27, 2017, and a revolving credit facility, providing for senior secured financing of up to $500.0 million expiring on the earlier of 91 days prior to the maturity of the term loan facility (currently October 27, 2022) or five years from the most recent amendment, subject to a borrowing base. The term loan facility and the revolving credit facility are collectively referred to as the “senior secured credit facilities.”

As of October 31, 2020, the outstanding principal balance of the term loan facility was $2,405.1 million ($2,359.0 million, net of the unamortized discount and debt issuance costs). Interest under the term loan facility is, at our option, the bank's alternative base rate ("ABR") or LIBOR, adjusted for statutory reserve requirements ("Adjusted LIBOR"), subject to a 1.00% floor, payable upon maturity of the LIBOR contract, in either case, plus the applicable rate. The ABR is the greater of the bank prime rate, federal funds effective rate plus 0.5%, or the LIBOR quoted rate plus 2.0%. The applicable rate is 2.25% per annum for an ABR loan or 3.25% per annum for an Adjusted LIBOR loan. Additionally, when Petco Animal Supplies' senior secured first lien net leverage ratio falls below 4.00, each of the applicable rate options will be reduced by 0.25%. Principal payments under the term loan facility are $6.3 million quarterly.

As of October 31, 2020, no amounts were outstanding under the revolving credit facility and $390.2 million remains available, which is net of $61.5 million of outstanding letters of credit issued in the normal course of business and a $48.3 million borrowing base reduction for a shortfall in qualifying assets, net of reserves. The principal qualifying assets in our borrowing base are inventory and credit and debit card receivables.

The revolving credit facility has availability up to $500.0 million and a $150.0 million letter of credit sub-facility. The availability is limited to a borrowing base, which allows borrowings of up to 90% of eligible accounts receivable plus 90% of the net orderly liquidation value of eligible inventory plus up to $50.0 million of qualified cash of Petco Animal Supplies to which Petco Animal Supplies and the Guarantors have no access, less reserves as determined by the administrative agent. Letters of credit reduce the amount available to borrow under the revolving credit facility by their face value.

Interest on the revolving credit facility is based on either ABR or Adjusted LIBOR subject to a floor of 0%, in either case, plus an applicable margin. The applicable margin is currently equal to 25 basis points in the case of ABR loans and 125 basis points in the case of Adjusted LIBOR loans. The applicable margin is adjusted quarterly based on the average historical excess availability as a percentage of the Line Cap, which represents the lesser of the aggregate revolving credit facility and the borrowing base, as follows:

Average Historical Excess Availability	Applicable Margin for Adjusted LIBOR Loans	Applicable Margin for ABR Loans
Less than 33.3% of the Line Cap	1.75%	0.75%
Less than 66.7% but greater than or equal to 33.3% of the Line Cap	1.50%	0.50%
Greater than or equal to 66.7% of the Line Cap	1.25%	0.25%

The revolving credit facility is subject to an unused commitment fee. If the actual daily utilized portion exceeds 50%, the unused commitment fee is 0.25%. Otherwise, the unused commitment fee is 0.375% and is not dependent upon excess availability.

The obligations under the senior secured credit facilities are secured by substantially all of the personal property assets of Petco Animal Supplies with differing priority rights to the various personal property assets ascribed to each facility. Both credit facility agreements, while not identical, contain certain affirmative and negative covenants related to indebtedness, liens, fundamental changes in the business, investments, restricted payments and agreements, and a fixed charge coverage ratio, among other things.

The credit agreements governing the senior secured credit facilities contain customary default provisions including, among others, the failure to make payments when due, defaults under other material indebtedness, non-compliance with covenants, change of control and bankruptcy, the occurrence of any of which would limit our ability to draw on the revolving credit facility and could result in the applicable lenders under the senior secured credit facilities accelerating the maturity of such indebtedness and foreclosing upon the collateral pledged thereunder.

Derivative Financial Instruments

In March 2016, we entered into a series of five interest rate cap agreements with four counterparties totaling $1,950.0 million to limit the maximum interest rate on a portion of our variable-rate debt and limit our exposure to interest rate variability when three-month LIBOR exceeds 2.25%.

Terms of our interest rate caps and their fair values as of October 31, 2020 are as follows (in thousands):

Notional amount	Effective date	Expiration date	Fair Value
$ 975,000	January 31 2017	January 31, 2021	$ (720)
243,750	January 31, 2017	January 31, 2021	(168)
243,750	January 31, 2017	January 31, 2021	(173)
243,750	January 31, 2017	January 31, 2021	(168)
243,750	January 31, 2017	January 31, 2021	(165)
$ 1,950,000			$ (1,394)

Although we are exposed to credit loss in the event of nonperformance by our counterparties, credit risk is considered limited due to the credit ratings of the counterparties and the use of a master netting agreement, which permits the netting of derivative payables and receivables. We have not historically incurred, and do not expect to incur in the future, any losses as a result of counterparty default. The notional amount of our outstanding derivatives is not an indicator of the magnitude of potential exposure.

The interest rate cap agreements contain provisions that would be triggered in the event we default on our debt agreements, which in turn could cause ineffectiveness or termination of the underlying cap agreements. As of October 31, 2020, no events of default have occurred. There is no collateral posting requirement outside the provisions in the debt agreements.

3.00% Senior Notes and Floating Rate Senior Notes

In connection with this offering, the 3.00% Senior Notes will be exchanged and canceled, and the Floating Rate Senior Notes will be fully redeemed after the application of the proceeds from this offering. For more information regarding this indebtedness, please read “Recapitalization and Corporate Conversion” and Note 9 to the historical consolidated financial statements included elsewhere in this prospectus.

Off-Balance Sheet Arrangements and Contractual Obligations

Off-Balance Sheet Arrangements

We do not have any relationships that are considered off-balance sheet arrangements. We do enter into certain short-term lease commitments, letters of credit and purchase obligations in the normal course of business.

Contractual Obligations

The following summarizes our contractual obligations at February 1, 2020 and the effect such obligations could have on our liquidity and cash flow in future periods (amounts in thousands):

	Fiscal year					
	2020	2021 & 2022	2023 & 2024	2025 & beyond	Other	Total
Estimated interest and fees on debt obligations(1)	$ 162,455	$ 354,862	$ 85,313	$ —	$ —	$ 602,630
Purchase obligations(2)	181,326	25,872	16,009	4,489	—	227,696
Total commitments	343,781	380,734	101,322	4,489	—	830,326
Debt, short and long term(3)	25,250	2,530,453	750,000	—	—	3,305,703
Operating leases(4)	418,994	675,425	458,101	458,356	—	2,010,876
Finance leases(4)	4,327	5,513	4,319	6,157	—	20,316
Other long-term liabilities(5)	—	5,213	900	5,006	77,677	88,796
Total recorded liabilities	448,571	3,216,604	1,213,320	469,519	77,677	5,425,691
Total commitments and recorded liabilities	$ 792,352	$ 3,597,338	$ 1,314,642	$ 474,008	$ 77,677	$ 6,256,017

(1) Estimated interest on debt obligation is based on average interest rates in effect at October 31, 2020. Debt fees include commitment and other fees associated with the senior secured credit facilities.

(2) Purchase obligations include various obligations that have specified purchase commitments. As of February 1, 2020, future purchase obligations include open purchase orders and non-cancellable obligations under marketing, information technology, and employment contracts.

(3) Amounts shown for debt include principal payments only and exclude any debt discounts and deferred financing costs.

(4) Represents minimum rents payable under operating and finance leases, excluding common area maintenance, insurance, or tax payments, for which we are obligated.

(5) Other long-term liabilities consist of: self-insurance reserves; asset retirement obligations; and deferred and other compensation. For all items excluding other compensation, we are unable to make a reasonably reliable estimate of the timing of payments in individual years beyond 12 months, due to uncertainties in the timing of the settlement of liabilities; these items are therefore included in the “other” category.

Segment

We operate under one reportable segment and support and serve pets and their parents through our integrated ecosystem of pet care centers, services, and e-commerce.

Inflation and Deflation Trends

Inflation and deflation can impact our financial performance. During inflationary periods, our financial results can be positively impacted in the short term as we sell lower-priced inventory in a higher price environment. Over the longer term, the impact of inflation is largely dependent on our ability to pass price increases to customers, which is subject to competitive market conditions. Although neither inflation nor deflation has had a material impact on our operating results, we can make no assurance that our business will not be affected by inflation or deflation in the future.

Seasonality

Our financial performance is not significantly impacted by seasonality, as the majority of our sales are generated by pet parents caring for their pets year-round.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States, or “GAAP,” requires us to make assumptions and estimates about future results, and apply judgments that affect the reported amounts of assets, liabilities, net sales, expenses and related disclosures. We base our estimates and judgments on historical experience, current trends and other factors that we believe to be relevant at the time our consolidated financial statements are prepared. On an ongoing basis, we review the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material.

We state our significant accounting policies in the notes to our annual consolidated financial statements, which are included in this prospectus. We believe that the following accounting policies and estimates described below have the greatest potential impact on our financial statements, and therefore we consider these to be critical to aid in fully understanding and evaluating our reported financial results.

Inventory Reserves

We value our inventory at the lower of the cost or net realizable value through the establishment of inventory valuation and shrink reserves. Cost is determined by the average cost method and includes inbound freight charges. Our valuation reserves represent the excess of the carrying value or average cost, over the amount we expect to realize from the ultimate sale of the inventory. Valuation reserves establish a new cost basis, and subsequent changes in facts or circumstances do not result in an increase in the newly established cost basis. Our valuation reserves are subject to uncertainties, as the calculation requires us to make assumptions regarding inventory aging, forecasted consumer demand and trends and the promotional environment.

Our inventory shrink reserve represents estimated physical inventory losses that have occurred since the last physical inventory date. Periodic inventory observations are performed on a regular basis at store locations, and cycle counts are performed for inventory at distribution centers to ensure inventory is properly stated in our financial statements. During the period between counts at store and distribution center locations, we accrue for estimated shrink losses based on historical shrinkage results, taking into consideration any current trends in the business.

We have not made any material changes in our methodology used to establish our inventory valuation and shrink reserves during the past three fiscal years, and we have not had material adjustments between our estimated shrinkage percentages and actual results. A 10% difference in our actual valuation reserve at February 1, 2020 would have an insignificant effect on pre-tax loss in Fiscal 2019. Additionally, we do not believe there is a reasonable likelihood that there will be a material change in future estimates or assumptions we use to calculate our shrink reserve. However, if estimates of losses are inaccurate, we may be exposed to losses or gains that could be material. A 10% difference in our actual reserve at February 1, 2020 would have affected pre-tax loss by $2.8 million in Fiscal 2019.

Long-lived Assets

Long-lived assets, other than goodwill and intangible assets, which are separately discussed below, are tested for recoverability whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. A long-lived asset is not recoverable if its carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. If a long-lived asset is not recoverable, an impairment loss is recognized for the amount by which the carrying amount of the long-lived asset (or group of assets) exceeds its fair value, with fair value determined based on the income approach.

Factors we consider important and which could trigger an impairment review include: (i) significant underperformance of a store relative to expected historical or projected future operating results; (ii) significant changes in the manner of our use of assets or strategy for our overall business; (iii) significant negative industry or economic trends; or (iv) planned store closings.

We have not made any material changes in the accounting methodology we use to assess impairment losses during the past three fiscal years.

Goodwill and Trade Name Intangible Assets

Goodwill

We evaluate goodwill annually in our fourth quarter or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. We have identified one reporting unit and selected our fourth fiscal quarter to perform our annual goodwill impairment testing. Goodwill impairment guidance provides entities the option to perform a qualitative assessment to determine whether further impairment testing is necessary. The qualitative assessment requires significant judgments about economic conditions, including the entity's operating environment, its industry and other market conditions, entity-specific events related to financial performance or loss of key personnel, and other events that could impact the reporting unit. If management concludes, based on assessment of relevant events, facts, and circumstances, that it is more likely than not that a reporting unit's fair value is greater than its carrying value, no further impairment testing is required.

If management's assessment of qualitative factors indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying value, then a quantitative assessment is performed. We also have the option to bypass the qualitative assessment described above and proceed directly to the quantitative assessment, where we compare the fair value of the reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of our net assets assigned to that unit, goodwill is not considered impaired and we are not required to perform further testing. If the carrying value of net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then we would record an impairment loss equal to the difference.

The fair value of our reporting unit is estimated using the assistance of a third-party valuation firm and quantitative impairment tests are calculated using a discounted cash flow analysis and a public company analysis. Significant assumptions inherent in these valuation methodologies are employed and include, but are not limited to, prospective financial information, growth rates, discount rates, and comparable multiples from publicly traded companies in similar industries.

We have not made any material changes in the accounting methodology we use to assess goodwill impairment losses during the past three fiscal years.

Indefinite-lived trade name

We consider the Petco trade name to be an indefinite-lived intangible asset, as we currently anticipate that this trade name will contribute cash flows to us indefinitely. We perform our annual impairment test during the fourth quarter of each year or whenever events or changes in circumstances indicate the carrying value may not be recoverable. Management has the option to first perform a quantitative assessment of its trade name asset to determine whether it is necessary to perform a quantitative impairment test. We also have the option to bypass the qualitative assessment described above and proceed directly to quantitative assessment.

The fair value of our trade name is estimated using the assistance of a third-party valuation firm using the relief from royalty valuation method, a variation of the discounted cash flow approach. Significant assumptions inherent in the valuation methodology are employed and include, but are not limited to, prospective financial information, royalty rates and discount rates. An impairment charge is recorded for the amount by which the carrying amount of the trade name exceeds its fair value.

We have not made any material changes in the accounting methodology we use to assess indefinite-lived trade name impairment during the past three fiscal years.

Self-insurance Reserves

We maintain accruals for our self-insurance of workers' compensation, employee-related healthcare benefits and general and auto liabilities. Insurance coverage is in place above per occurrence retention limits to limit our exposure to large claims. These insurance policies have stated maximum coverage limits, after which we bear the risk of loss. When estimating our self-insurance reserves, we consider a number of factors, including historical experience, trends related to claims and payments, and information provided by our insurance brokers and actuaries. Periodically, we review our assumptions and valuations provided by our actuaries to determine the adequacy of our self-insurance reserves.

We are required to make assumptions and to apply judgments to estimate the ultimate cost to settle reported claims and claims incurred but not reported at the balance sheet date. There were no significant changes to the self-insurance reserves during the past three years other than routine current period activity. A 10% change in our self-insurance reserves at February 1, 2020 would have affected pre-tax loss by $8.2 million in Fiscal 2019.

Recent Accounting Pronouncements

Refer to Note 1 in the historical consolidated financial statements included elsewhere in this prospectus for information regarding recently issued accounting pronouncements.

Quantitative and Qualitative Disclosures about Market Risk

We are subject to market risks arising from transactions in the normal course of our business. These risks are primarily associated with interest rate fluctuations, as well as changes in our credit standing, based on the capital and credit markets, which are not predictable. We do not currently hold any instruments for trading purposes.

Interest Rate Risk

We are subject to interest rate risk in connection with the senior secured credit facilities. As of February 1, 2020, we had $2,424.0 million outstanding under the term loan facility and $29.0 million outstanding under the revolving credit facility. The term loan facility and the revolving credit facility each bear interest at variable rates. After taking into account our interest rate caps: (i) an increase of 100 basis points in the variable rates on the amounts outstanding under the senior secured credit facilities as of February 1, 2020 would have increased annual cash interest in the aggregate by approximately $7.1 million; and (ii) a decrease of 100 basis points in the variable rates on the amounts outstanding under the senior secured credit facilities as of February 1, 2020 would have decreased annual cash interest in the aggregate by approximately $21.4 million. For information regarding the five interest rate cap agreements that we entered into in March 2016 to limit the maximum interest rate on a portion of our variable-rate debt and limit our exposure to interest rate variability, please read "—Liquidity and Capital Resources—Sources of Liquidity—Derivative Financial Instruments."

We cannot predict market fluctuations in interest rates and their impact on our debt, nor can there be any assurance that long-term fixed-rate debt will be available at favorable rates, if at all.

Consequently, future results may differ materially from estimated results due to adverse changes in interest rates or debt availability.

Credit Risk

As of February 1, 2020, our cash and cash equivalents were maintained at major financial institutions in the United States, and our current deposits are likely in excess of insured limits. We believe these institutions have sufficient assets and liquidity to conduct their operations in the ordinary course of business with little or no credit risk to us.

Foreign Currency Risk

Substantially all of our business is currently conducted in U.S. dollars. We do not believe that an immediate 10% increase or decrease in the relative value of the U.S. dollar as compared to other currencies would have a material effect on our operating results.

BUSINESS

Our Mission

We love pets. We are a purpose-driven company dedicated to improving the lives of pets, their parents, and the partners who work for us. We are committed to being the leading, most trusted resource in pet care, providing a comprehensive portfolio of essential products and services with expert advice that addresses all aspects of pet health and wellness.

Our Company

We are a beloved brand in the U.S. pet care industry with more than 55 years of service to pets and the people who love and care for them. Since our founding in 1965, we have been developing new standards in pet care, delivering comprehensive wellness solutions through our products and services, and creating communities that deepen the pet-parent bond. Over the last three years, we have transformed the business from a successful traditional retailer to a disruptive, fully-integrated, digital-focused provider of pet health and wellness offerings. We revamped our leadership team and invested over $300 million to build out leading capabilities across e-commerce and digital, owned brands, data analytics, and a full suite of on-site services including veterinary care. Our investments have delivered a comprehensive, integrated, and technology-enabled ecosystem of channels and offerings, complemented by a rapid innovation capability that is disrupting the pet market and providing pet parents with a differentiated holistic solution for all their pet care needs. For more information regarding our transformation investments, please read “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Innovation and Transformation.”

Our go-to-market strategy is powered by a multi-channel platform that integrates our strong digital presence with our nationwide physical network. Our data-driven digital footprint, consisting of an entirely redesigned e-commerce site and personalized mobile app, delivers an exceptional customer experience and serves as a hub for pet parents to manage their pets’ health, wellness, and merchandise needs, while enabling them to shop wherever, whenever, and however they want. By strategically leveraging our extensive physical network consisting of approximately 1,470 pet care centers located within three miles of 54% of our customers, we are able to offer our comprehensive product and service offering in a localized manner with a meaningful last-mile advantage over our competition. Through our connected platform, we serve our customers in a differentiated manner by offering the convenience of ship-from-store, BOPUS, and curbside pick-up. This integrated, multi-channel approach clearly resonates with our customers, as the number of customers who engage with us across multiple channels has grown by 20% over the last three years. Further, these multi-channel customers spend between 3x to 6x more with us compared to single-channel customers. In the last 12 months ended October 31, 2020, we achieved approximately 80% retention of our multi-channel customers.

Through our multi-channel platform, we provide a comprehensive offering of differentiated products and services that fulfill all the needs of pet parents and their pets. Our product offering leverages our owned brand portfolio and partnerships with premium third-party brands to deliver high quality food that avoids artificial ingredients, complemented by a wide variety of premium pet care supplies. We augment this premier product offering with a broad suite of professional services, including grooming as well as in-store and online training. Our service offering is further enhanced by a rapidly expanding, affordable veterinary service platform, which includes full-service veterinary hospitals, Vetco clinics, and tele-veterinarian services. In addition, we are increasingly linking our offerings with subscription programs such as membership and pet health insurance that create deeper engagement with our over 21 million Active Customers as of October 31, 2020, with our Pals loyalty program members accounting for approximately 80% of transactions in the thirty-nine weeks ended October 31, 2020. In addition to providing differentiated products and services, our over 23,000 knowledgeable, passionate partners provide important high-quality advice to our customers in our pet care centers. With our integrated platform and comprehensive offering, we provide a complete pet health and wellness ecosystem that drives engagement across our enterprise and creates life-long customer relationships.

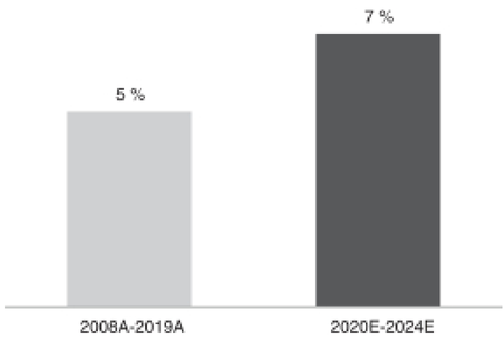
A Fully-Integrated and Comprehensive Pet Care Ecosystem

Industry Dynamics

The U.S. pet care industry is a large, attractive growth market experiencing a significant acceleration in response to multiple secular themes. The industry serves more than 72 million households with pets and represents a total addressable market of $97 billion in 2020. Since 2008, the industry has grown at a 5% CAGR, driven by steady, predictable growth in the underlying pet population coupled with strong tailwinds associated with pet humanization. Due to the essential, consumable nature of pet care, the industry has demonstrated resilience across economic cycles. During the Great Recession, the industry delivered strong performance, growing at a CAGR of 6% from 2008 to 2010. With respect to our business, we are strategically focused on growing our presence in three of the fastest-growing areas of the market: services, e-commerce, and veterinary, which are projected to grow at 11%, 14%, and 9% CAGRs, respectively, from 2020 to 2024.

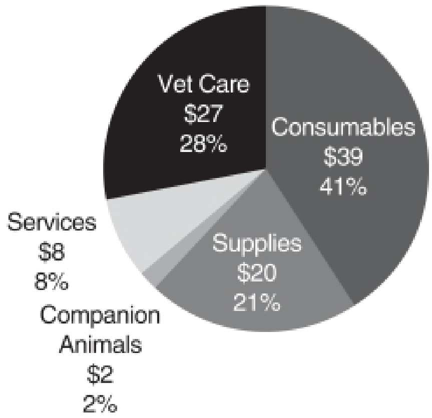
As a result of the COVID-19 pandemic, the industry is experiencing a significant increase in demand that is expected to be a tailwind for years to come. According to Packaged Facts, the number of households with pets in the United States is expected to increase by 4% in 2020, creating an estimated $4 billion in incremental annual demand for pet care products. Given the long-term, recurring demand for pet care products and services, which is expected to continue to grow in response to the pet humanization trend, this step function increase in the pet population represents a meaningful acceleration in total industry growth from 5% historically to 7% through 2024, according to Packaged Facts and company internal estimates. As pet care demand continues to grow, we believe we are well-positioned to capture an outsized portion of the growing market as a fully-integrated, comprehensive pet care provider in the industry.

U.S. Pet Care Industry CAGR



Source: Packaged Facts and company internal estimates.

U.S. Pet Care Industry by Category
($ in billions, 2020)
Total: $97 billion



Source: Packaged Facts and company internal estimates.

Our Transformation

Three years ago, we saw several major opportunities to accelerate our business. First, customers were shifting online and we saw a meaningful opportunity to better leverage our differentiated strengths and physical network to benefit from this shift. Second, research showed that pet parents had multiple care needs across products and services, but they were confused and looking for a partner to help them navigate to the right health and wellness decisions. Third, we recognized a need to become much more analytical and operationally rigorous. Lastly, the organization required clear strategic direction following a period of transition and cost cutting. Over the past three years we have invested over $300 million to support our innovation and business transformation strategies. These investments include: digital and e-commerce integration and expansion; data analytical capabilities; veterinary services; marketing and advertising; and our owned brands. Our transformation actions were focused on the following major initiatives and investments.

Assembled a Next Generation Leadership Team to Drive Transformation. Two years ago, we hired Ron Coughlin, who previously ran HP's $33 billion Personal Systems business as Division President and, prior to that, had a successful career in senior executive roles at PepsiCo and experience with businesses in transition. As Chief Executive Officer, he made multiple senior management hires and changes, adding digital and technology, consumer-packaged goods, marketing, and best-in-class retail experience to the leadership team. These executives bring experience from leading companies, including Best Buy, Walmart, Jet.com, Target, Bank of America, Williams Sonoma, and HP, among others. This highly qualified leadership team has implemented significant operational and cultural change to our business, including a substantial acceleration of our digital capabilities, optimizing the effectiveness of pet care center partners through training, enhanced analytic tools and communication, step changed marketing and customer engagement return on investment, launching a veterinary hospital network, and supporting the scaling of our pet health and wellness offerings.

Built Leading E-Commerce and Digital Capabilities that Leverage our Physical Network. With pet parents increasingly engaging online, we aggressively invested to create a superior e-commerce and app experience to succeed in the market, improving the speed, navigation, personalization, and services access of our website and app. We focused on optimizing site merchandising, market-based pricing, convenient order delivery within two days, and digital sales conversion rate to successfully attract and retain customers, all of which have experienced noticeable growth since the fourth quarter of 2019. We launched a hassle-free repeat delivery service, which has the highest-rated customer satisfaction in the industry, and provides a revenue stream that increased 13% in Fiscal 2019 and 36% in the first three quarters of Fiscal 2020. To further differentiate and create scale advantages, we leveraged our physical network to roll out key capabilities, including ship-from-store, which grew to over 730 enabled locations as of October 31, 2020, BOPUS, which grew over 275% from February 2, 2020 through October 31, 2020, and curbside pick-up that allow us to meet our customers anywhere they want to shop and provide a significant last-mile fulfilment advantage versus our competition, driven by our distributed inventory and proximity to customers. These efforts have resulted in total e-commerce sales and gross margin growth. E-commerce sales grew 33% in Fiscal 2019, 107% in the first three quarters of Fiscal 2020, and 96% in the thirteen weeks ended October 31, 2020. The initial margin rate for e-commerce sales during the first three quarters of Fiscal 2020 grew 11%.

Reinvented Grooming and Training, and Launched a Full-Service Veterinary Hospital Network. Pet services represent the most personalized, sticky, high-touch part of the market, which is critical as we focus on acquiring and retaining high-value customers. In grooming, we invested in digital integration, marketing, staff compensation, and other operational improvements to transform a negative growth business in Fiscal 2018 into one that grew 10% in Fiscal 2019 while also adding 470,000 new customers and decreasing groomer turnover by over 30% from Fiscal 2018 to the end of the third quarter of Fiscal 2020. In training, we have led with innovation, and this year launched online training classes that can be conducted at home in order to attract new pet parents. In Fiscal 2017, we embarked on one of the fastest veterinary hospital build-outs in the industry and today offer full-service veterinary care at over 100 pet care centers, driving both incremental service and merchandise sales, and unlocking the prescription food addressable market. As a result of this reinvention, we saw an 11% increase in services revenue during the thirteen weeks ended October 31, 2020 as compared to that same period ended November 2, 2019.

Created a Highly Differentiated Owned and Exclusive Product Offering. We offer a highly differentiated owned and exclusive product assortment that engenders strong customer loyalty. We focused on three core product differentiating capabilities: nutritional expertise, exclusive partnerships, and a leading owned brand platform. As a testament to our commitment to pet health and wellness, in May 2019 we made the decision to pivot away from dog and cat food and treats that contain artificial ingredients making us the only major national retailer in the industry to take a stand against artificial ingredients in dog and cat food. We utilized a best brands strategy to form new partnerships with some of the most highly regarded premium food brands in the industry, such as Just Food For Dogs. Based on a Petco study, health-focused pet parents, which are loyal, high-value customers, make up 29% of the total pet parent market, but 40% of our customer base. These pet parents spend on average approximately $1,900 per year on their pets, which represents 48% more than the average pet owner included in the study.

In 2019, we leveraged our established owned brand platform and capabilities to launch Reddy, a fashion-driven supplies brand, to complement WholeHearted, our premium food brand. We have grown our owned brand sales at a CAGR of 14% between Fiscal 2017 and Fiscal 2019, and during Fiscal 2019, our owned brands generated sales of $1.1 billion, or approximately 27% of total product sales, up from 17% of sales in Fiscal 2015. This growth trend continued during the thirteen weeks ended October 31, 2020 with a 15% increase in owned brand sales as compared to that same period ended November 2, 2019. The combination of our differentiated food and supplies strategy, including owned and exclusive brands, has enabled us to offer a premium product offering, with more than 50% of our offering not available via online or mass competitors.

Implemented a Performance Culture Led by Data Analytics. Our differentiated singular view of the customer across products, services, and channels, in combination with insights from our Pals loyalty database, provides access to a robust wealth of data that is difficult to replicate. We implemented new capabilities to leverage these data to inform strategic and tactical decision-making across our organization, and ultimately drive higher customer engagement and lifetime value. We created a singular view of our customer to drive everything from marketing decisions and innovation of new products and services to how we operate our pet care centers. In our pet care centers, we have pushed data down to our pet care center General Managers and field leadership teams through advanced sales reporting to enhance decision-making. We developed a user-friendly, action-focused dashboard (HUB), which enables our managers to track performance across multiple dimensions, identify opportunities, and execute strategies to drive incremental sales. We also simplified the key metrics that we utilize to track performance and aligned incentives against those metrics by rolling out a revamped incentive structure across our field organization.

Attracted Exceptional Talent in Key Growth Areas. As part of our strategic evolution, we recruited next generation talent across various levels and functional areas throughout the organization. In addition to systems investments, we added over 100 technology and analytics experts supporting our e-commerce and technology innovation efforts. In the field and services areas, we strategically acquired senior talent from leading companies in the retail, hospitality, and consumer sectors. We created effective training programs to develop critical skills, driving increased employee engagement and retention. In veterinary, we built a team of veterinarians, veterinary hospital operators, and veterinarian staff recruiters from leading companies in order to rapidly scale our model. We are dedicated to leveraging our rich diversity of talent to foster a culture that supports an open forum for idea exchange, promotes an environment of inclusion, and builds connections with our communities, partners, and vendors. Our team additions and investment in talent development have not only helped to raise our performance expectations, but have been instrumental in creating a purpose-driven performance culture across the organization.

For more information regarding our transformation investments, please read “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Innovation and Transformation.”

Despite everything we have accomplished in recent years (and our accelerating momentum in 2020), we believe that we are just getting started. The transformational investments and initiatives of the last three years strategically position us to pursue numerous opportunities that we believe will drive long-term growth. As we look ahead, we could not be more excited for the future.

Our Competitive Strengths

Category-Defining Brand with Long-Term Customer Relationships Built on Trust

Since our founding in 1965, we have focused on building long-term relationships with pet parents by providing an exceptional customer experience. Our top-of-mind awareness is among the highest in the industry, cited by 28% of customers as the first brand that comes to mind when asked to name a brand in pet products. Across our platform, we have a team of over 23,000 highly trained pet care experts who love animals and are passionate about sharing their expertise with pet parents. Through our people—such as digital experts, sales and engagement partners, groomers, trainers, companion animal experts, and veterinarians—we are able to build and maintain long-term, high-touch relationships with pet parents.

Our brand is consistently strengthened by the touchpoints we have with our customers across channels, products, and services. As of October 31, 2020, we served over 21 million Active Customers, with members of our Pals loyalty program representing approximately 80% of our transactions in the thirty-nine weeks ended October 31, 2020 and ranking among the largest loyalty programs in the industry. We leverage the data from our Pals program via in-store technology (including hand-held devices that our partners use to assist customers with shopping), content, and recommendations in a highly personalized manner. Our customer relationships are built on trust and supported by high customer affinity, as demonstrated by our average nine-out-of-ten Voice of Consumer rating in the first three quarters of Fiscal 2020. Capitalizing on these long-term relationships and a foundation of trust, we have grown our business through the development of high-loyalty customers, which consist of customers that have three or more BOPUS purchases in the last 12 months and members of our Spa Club loyalty program, and recurring programs, including repeat delivery, Petco Vital Care Membership, PupBox, and Petco Insurance. Our high-loyalty customers and recurring programs generated 5.5% and 2.3%, respectively, of our 16.3% of comparable sales growth for the thirteen weeks ended October 31, 2020.

A Fully-Integrated Comprehensive Offering of Pet Products and Services Nationwide

We provide a fully-integrated comprehensive offering of pet care products and services that meet the needs of pet parents everywhere—something that none of our competitors currently offer.

Our product strategy is built around an extensive offering that features premium owned and partner brands known for quality and innovation. We offer leading varieties of wholesome, premium food that build upon our expertise in pet nutrition. For example, we proudly offer premium brands such as human-grade Just Food For Dogs, which are not widely available in other national pet specialty stores. In addition to food, we offer a wide range of pet supplies to meet the needs of pet parents. The combination of our differentiated food and supplies strategy, including owned and exclusive brands, has enabled us to offer a premium product offering, with more than 50% of our offering not available via online or mass competitors.

Our service offering consists of professional grooming, training, and veterinary services. In addition to acting as a profitable driver of new customer acquisition, our service platform helps retain and expand the yearly spend of existing customers, drive visit frequency and digital engagement, and build long-term loyalty.

Through our connected multi-channel ecosystem, we are able to offer our comprehensive product and service offering across all channels to meet our customer wherever, whenever, and however they want to shop and generated net sales of $1.26 billion for the thirteen weeks ended October 31, 2020. During the nine months ended October 31, 2020, customers who shopped across the four channels we track for these purposes (pet care center merchandise, e-commerce and digital, grooming and training services, and veterinary services including veterinary hospitals and Vetco clinics) spent on average 6x with us versus customers who only shopped one of these channels. Demonstrating the impact of our comprehensive ecosystem on our pet care centers, our 90 pet care centers that offer grooming, training veterinary services, ship-from-store, and BOPUS generate on average 91% higher revenue, as measured over the last 12 months ended October 31, 2020, than that of our average pet care center in Fiscal 2017. By the end of that same period, we had 3.5 million multi-channel customers, up from 3.0 million at November 2, 2019, with these customers generating 1.5% of our 16.3% of comparable sales growth for the thirteen-weeks ended October 31, 2020.

Connected Ecosystem Combining Leading Digital Capabilities and a Strategic Physical Network

We have built a connected ecosystem comprising leading digital capabilities and a national physical network. Through our Petco.com website and Petco app, we offer premier digital navigation, speed, assortment, market-based pricing, content, and personalization features. Through our physical network, we have the ability to consistently fulfill and deliver a growing assortment of products directly to consumers in addition to convenient offerings such as BOPUS and curbside pick-up. Our physical proximity to our customers also provides us a significant last-mile cost advantage relative to competitors. In the thirty-nine weeks ended October 31, 2020, approximately 80% of Petco.com orders were fulfilled by our pet care centers, either as ship-from-store, BOPUS, or curbside pick-up. Additionally, we have experienced increasing pet care center sales through our Petco app since its launch, with many pet parents electing to take advantage of BOPUS and curbside pick-up for their orders. For customers seeking even greater convenience, we offer repeat delivery options that facilitate recurring purchases. Our repeat delivery revenue stream increased 13% in Fiscal 2019, and for the thirty-nine weeks ended October 31, 2020, BOPUS purchases and repeat deliveries of products accounted for 61% of Petco.com sales. Finally, we continually leverage our digital capabilities to innovate, such as online booking of grooming appointments, convenient at-home services like on-line training, and mobile grooming. Our connected ecosystem provides us with a singular view of our customer, which fuels our highly effective performance marketing function to drive repeat visits and grow customer lifetime value. For the thirty-nine weeks ended October 31, 2020, we achieved a Petco.com customer retention rate that was 12% higher than that of the prior year period.

Rapidly Growing Veterinary Services Offering Stack

According to Packaged Facts, more than 70% of pet owners have concerns about the affordability of veterinary healthcare. In response, we have established a differentiated and highly scalable, affordable veterinary healthcare service platform that consists of our full-service veterinary hospitals, Vetco clinics, and tele-veterinary services. In Fiscal 2019, we serviced over 400,000 customers through our veterinary offering platform.

We are rapidly expanding our full-service veterinary hospitals across the country to provide expanded service coverage. By integrating these veterinary hospitals into existing pet care centers, we benefit from significant structural advantages compared to existing veterinary care providers, positioning us to deliver a more affordable solution to our customers. Through our digitally enabled approach, we offer competitive and affordable exam fees, supported by convenient online appointment scheduling, text reminders and weekend booking availability. We have experienced strong early success from our veterinary hospital strategy driven by highly compelling unit economics. Our veterinary hospitals have historically required approximately $600,000 in build-out costs and generate four-wall profitability by year two. We target sales and four-wall EBITDA margins at maturity of approximately $1.5 million and 20%, respectively. The ability for customers to conveniently purchase health-related products, including prescription food, at the time of a veterinary appointment creates a strong complementary relationship in an under-penetrated category for Petco. Despite reducing the total selling square footage of an existing pet center when we add a veterinary hospital, we experience a sales uplift in merchandise and non-veterinary services. Average non-veterinary sales increased by approximately 600 basis points in the first year of veterinary hospital operations. Additionally, sales of prescription food, which require an on-site veterinary hospital, are currently averaging an incremental $1,000 of sales per week per pet care center. Our recent introduction of Petco Vital Care Membership, a subscription program that provides access to our holistic health and wellness offering that is exceeding both our enrollment and spend per customer goals, and Petco Insurance leverage our growing veterinary services network to provide incremental benefits and convenience for customers.

Industry-Leading Grooming and Training Business Driving Recurring Trip Frequency

Leveraging our strategic physical network, we have built one of the largest grooming and training businesses in the pet care industry. These essential services drive recurring visits into our pet care centers, allowing us to earn a greater share of wallet from our customers, as demonstrated by the fact that over the past three years our service customers tend to spend 2x as much with us compared to our non-service customers.

In our grooming business, we served over 2 million pets across approximately 1,350 of our pet care centers during Fiscal 2019. We are building on the success of our investment strategy with the addition of new elements such as our “Spa Club” grooming loyalty program, breed-specific marketing, and mobile grooming. Spa Club has helped drive a 14% improvement in customer retention rate between the fourth quarter of Fiscal 2018 and the fourth quarter of Fiscal 2019.

In our training business, we served over 180,000 pets across approximately 1,470 pet care centers during Fiscal 2019. Because training is generally conducted at an early stage in a pet’s life, this offering is a strategic customer acquisition tool to engender long-term loyalty with new pet parents. We continue to focus on augmenting our core in-store training offering with the launch of at-home and online training classes. In Fiscal 2019, on average, our training customers spent 3.3x more with us than our non-training customers.

Premier Owned Brand Product Development and Innovation Platform

We operate a leading, owned brand portfolio that has grown rapidly and is highly accretive to our product gross margins, typically driving a margin rate that is more than 1,000 basis points higher than comparable third-party brands. Our extensive direct customer relationships provide us with insights that allow us to identify unmet customer needs and trends and rapidly build products and services around those needs. We have an established infrastructure for developing, launching, and fostering growth in owned brand products, including an in-house packaged goods insights function, experienced fashion leadership, and a dedicated sourcing office in Asia.

Over the last three years, we have demonstrated the speed and depth of our innovation platform through the launch of 89 new brands and 5,000 new products. In 2016, we launched our first major proprietary pet food brand, WholeHearted, which features a premium ingredient panel, an attractive price point, quality packaging, and authentic branding that effectively targets millennial pet parents. In Fiscal 2019, we launched Reddy, our proprietary supplies brand that features premium fabrics and urban contemporary styling appealing to fashion-focused pet parents. We also believe our Well & Good brand has similar potential to tap into customer demand for premium wellness products. Sales of our owned brand portfolio have grown at a 14% CAGR between Fiscal 2017 and Fiscal 2019, and for Fiscal 2019, our owned brands generated sales of $1.1 billion, or approximately 27% of total product sales, up from 17% of product sales in Fiscal 2015.

Best-in-Pet Technology Capabilities

We have developed the ability to compete with the best-in-class innovation capabilities of our competitors. We invested over $150 million over the past three years in our digital systems and recruited leading digital talent, employing over 100 technology and analytics experts organized in rapid deployment "squad" structures linked to major areas like e-commerce, services, and CRM. Our operating experience and insights enable us to develop, test, and scale solutions in a rapid innovation cycle. We also seek to leverage our existing assets and advantages in the market to ensure our innovation implementations are not easily replicable by the competition. In the last 24 months, we have launched new programs, such as curbside pick-up, online dog training, an online food coach, our complete pet wellness app, pet medical record consolidation, and Petco Vital Care Membership. Our ability to leverage our physical network has been a distinct competitive advantage. We believe our advanced innovation capabilities provide us with insights and opportunities to continue to enhance customer engagement, rapidly improve our offerings, and expand into new product and service lines faster and better than competitors.

Highly Experienced and Proven Management Team

We have an experienced and proven management team of successful retail, consumer, and technology industry veterans and a deep bench of talent supporting our emerging services, e-commerce, and omni-channel competencies.

- Our Chief Executive Officer, Ron Coughlin, who has been with Petco for over two years, brings 11 years of experience at HP, including eight as Division President, and 13 years of marketing experience at PepsiCo where he left as a Chief Marketing Officer
- Our Chief Financial and Operating Officer, Michael Nuzzo, actively oversees our supply chain and our services and veterinary businesses, after joining us in 2015, and has over 20 years of experience managing financial and operational strategy at leading public and private retail companies, including GNC and Abercrombie & Fitch
- Our Chief Digital & Innovation Officer, Darren MacDonald, brings critical e-commerce experience, having built one of the leading global e-commerce platforms during his prior roles at Walmart and Jet.com, and having developed one of the most trafficked online shopping comparison engines as CEO of Pronto Network, an IAC company
- Our Chief Pet Care Center Officer, Justin Tichy, offers deep field experience with leading store teams at public retail companies, including Best Buy, Target, and Walmart
- Our Chief Merchandising Officer, Nick Konat, brings leading consumer and retail expertise from managing merchandising strategies at Target as well as from his experience as a consultant at Accenture
- Our Chief Human Resources Officer, Michelle Bonfilio, has prior experience in the pet industry and senior human resources roles with leading public retailers, including The Gap and Williams Sonoma

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- Our Chief Information and Administrative Offer, John Zavada, brings valuable information technology experience, formerly serving as CIO of Restoration Hardware and L Brands, among others
- Our Chief Legal Officer and Secretary, Ilene Eskenazi, brings over 20 years of legal experience from leading retail, apparel, and consumer packaged goods companies, having served as general counsel for other leading global brands such as Red Bull and True Religion
- Our Chief Marketing Officer, Tariq Hassan, brings significant marketing, brand management and communications experience, having served in leadership roles at Bank of America and Hewlett-Packard Company (now HP Inc.)

The balance of the senior team has experience from a host of high caliber companies.

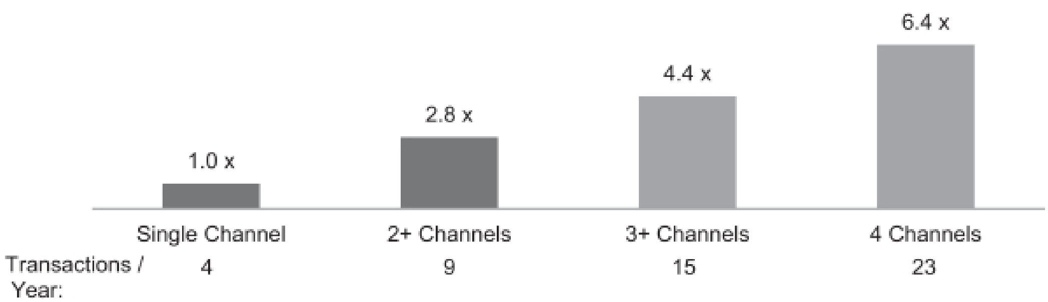
Our Growth Strategies

Building upon our success to date, we see a significant opportunity to drive long-term growth across our business by executing on the following growth strategies:

Continue to Acquire New Customers and Drive Engagement Across All our Channels.

- **Acquire New Customers:** Strong secular trends in the industry are introducing new pet parents to the category. We are distinctively positioned to acquire new customers through our effective marketing, e-commerce engagement, new pet programs, Pals loyalty program, Petco app, and sticky services offerings, as well as our strategic physical network, which provides a low-cost acquisition and powerful brand awareness vehicle. As one of the most recognizable brands in the industry and a fully-integrated complete solution for all pet health and wellness needs, we are distinctively positioned to successfully acquire new customers looking for the best first stop as new pet parents.
- **Increase Engagement and Monetization Across All Channels and Offerings:** Our multi-channel and multi-category customers represent our highest yearly and lifetime value spend levels and will be a meaningful contributor to our future growth. During the 12 months ended October 31, 2020, we achieved approximately 80% retention of our multi-channel customers. Over that same period, customers who engage with us across two or more channels spend on average 2.8x as much as our single-channel customers spend, and those who engage with us across three or more channels and all four channels spend on average 4.4x to 6.4x as much, respectively. We plan to drive these spend levels higher as we scale our e-commerce platform and full-service veterinary hospitals. Further, we believe we have an embedded opportunity to significantly grow the value of our active customer base by attracting customers to additional channels, leveraging our comprehensive health and wellness offering, in-store cross-selling, Petco app, advanced CRM capabilities, and subscription programs like repeat delivery, which directly facilitate multi-channel purchases.

Relative Spend by Customer Type (Indexed to Single-Channel Customer)



Source: Company data; customer spend data are as of the 12 months ended October 31, 2020; during the 12 months ended October 31, 2020, our average single-channel customer spent approximately $150.

Note: Channels consist of pet care center merchandise, e-commerce and digital, grooming and training services, and veterinary services.

- **Maximize Customer Engagement and Loyalty with Subscription Programs:** Beyond our repeat delivery program, we have only begun to capitalize on subscription revenue opportunities, including through the recent launches of additional value-add subscription programs:
  - **Petco Vital Care Membership:** an annual fee-based membership program that provides preferred access to our holistic health and wellness offering across products, grooming, and veterinary care;
  - **PupBox:** a service that provides monthly shipments of premium food, treats, and merchandise to puppy parents; and
  - **Petco Insurance:** an annual service that provides affordable, full-service pet health coverage with added pet product and services perquisites not offered by traditional insurance company plans.

All three programs have experienced strong initial customer reception to date. While these programs are relatively nascent, we are excited by the opportunity to bring together our product and service offerings under subscription programs that we believe will positively impact the customer experience while providing us with an attractive revenue stream from subscription businesses.

Continue to Grow Our Digital Business.

We intend to leverage our fully-integrated ecosystem, high-performance website and mobile app experience, fulfilment cost advantages, and differentiated services offerings to capitalize on the continued strong growth of e-commerce in the pet industry. In particular, we expect the continued expansion of BOPUS and curbside pick-up, which we are able to offer profitably given our strategic physical network, to allow us to substantially grow e-commerce sales while maintaining a leading customer fulfillment proposition. Our ability to connect our online platform with our in-person offerings, such as grooming, training, and veterinary care, creates a “flywheel” that drives greater online visits, which in turn create more opportunities for cross-selling other products and services. By leveraging our technology and operational assets, we plan to continue delivering innovation and new multi-channel offerings with a goal of meeting or exceeding overall pet e-commerce industry growth, as well as increasing our e-commerce penetration.

Expand Our Health & Wellness Services.

- **Rapid Expansion of our Differentiated Veterinary Services:** Veterinary care is one of the fastest-growing categories in the pet industry and one of our key strategic priorities. Through our comprehensive veterinary offering stack and affordable care positioning, we are disrupting the industry and intend to gain market share by expanding on our proven, replicable model of offering affordable, high-quality veterinary services to pet parents everywhere. We have experienced strong results from the 105 full-service veterinary hospitals currently open and plan to continue to add 60 to 70 hospitals per year to new, relocated, and remodeled pet care centers as we execute on a 900+ location white space. We also have the opportunity to utilize tele-veterinary services to grow the revenue base of our hospitals through convenient online appointments. Outside of our full-service veterinary hospitals, we are expanding our Vetco clinic business both within Petco and through partnerships with other retail partners. We believe that through our affordable, convenient, and tech-enabled veterinary proposition, we are well-positioned to capture increasing share in the attractive veterinary services market while driving overall share of customer wallet by marketing and cross-selling our non-veterinary offerings.
- **Continue to Grow Our Core Grooming and Training Businesses:** The grooming and training markets are highly fragmented and offer us an opportunity to meaningfully grow our market share. Grooming is a large addressable market in the United States, representing approximately $3 billion in 2020, according to Packaged Facts. Relative to our competitors, our scale and digital capabilities, such as convenient online scheduling, provide us with a

compelling advantage. In our grooming business, we have an opportunity to increase productivity by adding staff to meet elevated customer demand, selling higher priced service packages, and adding mobile grooming capabilities to capture demand for at-home services. In our training business, we have a multi-year growth opportunity with our recently expanded offerings beyond our standard in-store group classes, including private, one-on-one classes both in-store and at-home, as well as online training classes taught by our elite trainers.

Drive Product Sales with Emphasis on Owned Brand Innovation and Exclusive Brands.

We have a significant opportunity to leverage our differentiated owned brand development and innovation capabilities to accelerate growth of our leading owned brand portfolio, which has experienced growth at a CAGR of 14% between Fiscal 2017 and Fiscal 2019. During Fiscal 2019, our owned brand business accounted for $1.1 billion of sales, or 27% of total product sales, driven by the success of our WholeHearted and recently launched Reddy brands, and our exclusive and differentiated product offerings accounted for $1.7 billion of sales, or 43%, of total product sales. Looking ahead, owned brands are a key strategic priority for us as we will leverage consumer insights to drive continued innovation in our offerings across food and supplies in a manner that is differentiated relative to our competitors. Additionally, we intend to grow our brand portfolio through new partnerships with premium brands in the industry, as well as expanding existing partnerships, such as a broader rollout of Just Food For Dogs pantries and on-site kitchens. Our differentiated food and supplies offering is a key driver of customer loyalty and stickiness, with more than 50% of our offering not available in online or mass competitors.

Leverage Category Capabilities to Expand Our Offerings and Geographies.

Our journey is just beginning. Our fully-integrated multi-channel ecosystem provides us with tremendous data and insights, as well as the ability to continually innovate and add new capabilities and offerings. We plan to continue to add to our service offerings with new elements of our breed-specific at-home and online training classes. In the subscription offering area, we are planning initiatives in proprietary credit card, membership, and wellness programs. Within our technology platform, we plan to build upon our strong momentum to rapidly innovate and roll out new capabilities.

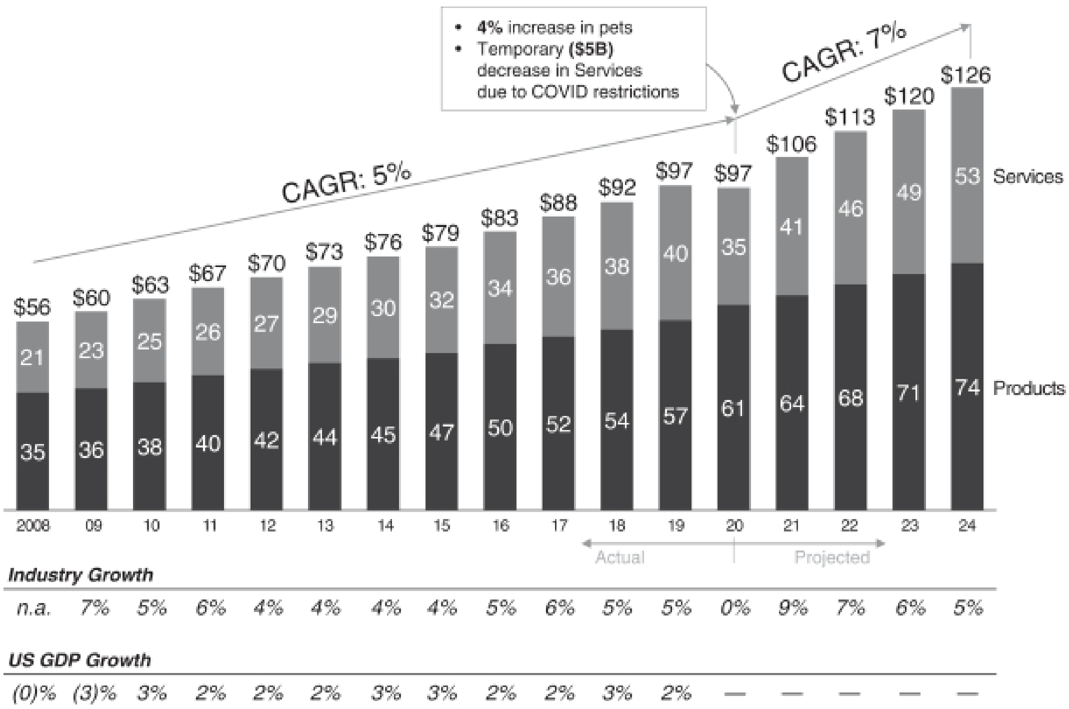
Internationally, we see significant opportunity to deploy our comprehensive model to expand our presence in new markets. We will leverage the success of our joint venture with Grupo Gigante in Mexico, where we have over 80 locations, and our wholesale partnership with Canadian Tire in Canada, where we have Petco products in approximately 450 locations, including the initial launch and build-out of dedicated Petco shop-in-shops, to continue to grow in these geographies. Looking ahead, we also see a meaningful opportunity to pursue a wholesale distribution approach like with Canadian Tire in new international geographies in Central and South America, Europe, and Asia.

Our Industry

The U.S. pet care industry is a large, attractive growth market experiencing a significant acceleration in response to multiple secular consumer themes. In 2020, the industry is expected to serve more than 72 million households with pets, representing a total addressable market of $97 billion. Due to its non-discretionary nature, the market has demonstrated a long-term track record of consistent growth and resilience throughout economic cycles. From 2020 to 2024, the industry is expected to grow at a 7% CAGR, driven by steady, predictable growth in the underlying pet population coupled with strong tailwinds associated with pet humanization and COVID-19.

As a result of the COVID-19 pandemic, the industry is experiencing a significant increase in demand that is expected to be a tailwind for years to come, given the long-term, subscription-like demand for pet care products and services. Packaged Facts predicts a 4% growth in pet-owning households in 2020, 2% in 2021, and 1% in 2022. Although this step function increase in the pet population was offset in 2020 by a decrease in consumption of services (including veterinary services) during COVID-19 shutdowns, it represents a meaningful, long-term change in total industry growth from 5% historically to 7% through 2024, according to Packaged Facts and company internal estimates.

U.S. Pet Care Industry Sales ($ in billion)



Source: 2008 to 2014 based on aggregation from American Pet Products Association and Packaged Facts. 2014 to 2024E based on Packaged Facts as adjusted for company internal estimates. US GDP Growth based on Bureau of Economic Analysis data.

The U.S. pet industry is broadly broken down into two categories: pet products, which includes non-discretionary food and supplies; and pet services, which includes essential veterinary services and non-medical services, such as grooming and training. Through our complete pet health and wellness ecosystem, we address all of these categories in a distinctive and holistic manner.

Pet Products

In 2020, the pet products category is expected to represent a $61 billion market consisting of the $39 billion pet consumables, $20 billion pet supplies, and $2 billion companion animals categories. Based on Packaged Facts and company internal estimates, pet food and supplies are forecasted to grow at a CAGR of 5% and 4%, respectively, from 2020 to 2024.

Within the pet products category, the pet specialty channel represents a 22% category share as of June 2020, according to Packaged Facts. Petco has significant brand dominance within the category, with approximately 31% market share of the total U.S. pet specialty channel as of 2019. With its dedicated focus and large assortment of pet products and services, the pet specialty channel is most competitively positioned to capitalize on category trends such as pet humanization, pet ownership growth, and growing demand for a one-stop destination for pet care.

Pet Services

The pet services category represents a $35 billion market consisting of the $27 billion veterinary services and $8 billion non-medical services categories in 2020. According to Packaged Facts and company internal estimates, veterinary services and non-medical services are forecasted to grow at a CAGR of 9% and 14%, respectively, from 2020 to 2024. The pet services category is primarily addressed by pet specialty and veterinarian channels.

The same trends positively impacting the pet products market are also driving increased consumption of pet services, including veterinary, grooming, and training. We believe that the main drivers of consumer selection of service providers are trust, price, quality of care, and convenience. We believe that our integrated platform and comprehensive offering differentiate us from our competition and position us to benefit from the continued growth in pet services, as well as to grow share in what remains a highly fragmented market.

Impact of the COVID-19 Pandemic on Our Industry

Although the COVID-19 crisis has presented significant challenges to the broader economy, the pandemic has accelerated several consumer trends that have meaningfully benefited the pet care industry, which has been deemed essential by federal, state, and local authorities. Pet adoption and purchase has accelerated meaningfully as consumers spend more time at home and outdoors, and have an increasing desire for companionship, a need to entertain children, and a growing appreciation for the physical and mental health and wellness benefits of pet parenthood. According to Packaged Facts, over 86% and 84% of dog and cat owners, respectively, agree that pets have a positive impact on both physical and mental health. In addition, consumers are increasingly migrating from urban cities to less densely populated communities, which are more conducive to raising a pet.

Industry Trends

The following key trends have historically driven, and continue to drive, strong growth in the industry:

- **Large, Resilient Category with Favorable Long-Term Trends.** The pet industry is a large, stable market that has consistently demonstrated resilience across economic cycles, driven by the non-discretionary replenishment nature of consumable products and services such as pet food, grooming, and veterinary services.
- **Continued Momentum Behind the Pet Humanization Trend.** The pet humanization trend remains strong with 94% of pet parents agreeing “I consider my dog or cat to be part of my family,” according to Packaged Facts. In addition, according to an internal study, 94% of dog parents want to provide the healthiest, most nutritious food for their pet, but only 58% are confident they are doing so. These dynamics have resulted in increasing demand for premium pet care goods and services as pet parents seek to provide their pets with the best care possible. According to Packaged Facts, the annual spend per pet has grown at a 4% CAGR from $1,179 in 2015 to $1,401 in 2019.
- **Growing Consumption of Pet Health Services.** Attributable in part to the pet humanization trend, demand for pet health services has risen dramatically in recent years. Veterinary services represent the second-largest market within pet health services, having generated $27 billion of revenue in 2020.

  Rising focus on pet health is also driving increased adoption of pet insurance, especially in developed markets, where the rates of insured pets are as high as 25%. In the United States, the North American Pet Health Insurance Association reported that only 2% of pets are estimated to be covered by insurance, which implies potential for significant growth.
- **Shift Toward Digital, including Increased E-Commerce Penetration.** Pet parents are spending a greater share of their total pet care spend online. In the last several years, online growth has been driven by the increased adoption of pet food subscription programs and the general expansion of online membership services, which cover most major consumer packaged goods categories.
- **Increased Customer Focus on Total Solutions and the Value of an Integrated Offering.** Convenience is playing an increasingly important role in the pet care industry as

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consumers become accustomed to online purchasing and subscription services. The ability to offer a one-stop destination for customers to manage all pet care needs, whether in store, online, in-home, or on a mobile device, is increasingly becoming a competitive advantage versus pure-play online, mass, and smaller independent specialty retailers. This is demonstrated by a recent Lippincott survey that stated that half of all pet parents prefer a one-stop experience and 73% of pet parents expect to make more purchases with a membership program.

- **Strong Growth Trends in International Markets.** The pet humanization trend continues to proliferate across the globe, with several countries around the world emerging as promising growth markets for the pet industry. Over the last several years, developing countries such as China and Mexico have experienced strong economic growth that has given rise to an expanding middle class with growing disposable income, driving increased pet ownership and spending on pets. Other countries in both South America and Asia have exhibited similar macro trends that are contributing to increased consumption on pet products and services.

These favorable tailwinds have driven strong and consistent growth in the industry, with spending on pets projected by Packaged Facts to reach $126 billion in the United States in 2024, up from $97 billion in 2020, representing a CAGR of 7%.

Our Comprehensive Offering

Product Offering

We offer a comprehensive product offering consisting of over 57,000 products across pet food, supplies, and companion animals available through our physical and online channels. In Fiscal 2019, 51% of our product sales comprised non-discretionary consumable products, such as food and supplements, which feature high purchase frequency over the life of a pet and sticky characteristics due to a strong desire for pet parents to avoid switching food brands. In addition, in Fiscal 2019, we generated more than 27% of our product sales from owned brands—such as WholeHearted, Reddy, and Well & Good. This represents a much higher percentage of our merchandise mix compared to our online competitors, helps the Petco ecosystem attract and retain customers, and also offers us an enhanced margin profile as owned brands, on average, have a more than 1,000 basis points higher margin than comparable third-party brands.

Service Offering

We offer a fully-integrated comprehensive service offering that includes professional grooming, training and veterinary services. Unlike some other consumer purchases, the services we offer for pet parents are essential, recurring, and high frequency in nature. In addition to acting as a profitable driver of new customer acquisition, our service platform helps retain customers, drive physical visit frequency and digital engagement, and build long-term loyalty. During Fiscal 2019, our service offering sales grew 14% year-over-year, and represented approximately 9% of sales. As one of the fastest-growing parts of our business, we expect services as a percentage of sales to grow meaningfully as we continue to expand on our new Nexus format for our pet care centers, which has resulted in a higher mix of services relative to the pre-Nexus format mix.

Multi-Channel Platform

We have developed a data-driven go-to-market platform consisting of robust digital capabilities and a strategic physical network of pet care centers woven together by a singular view of the customer.

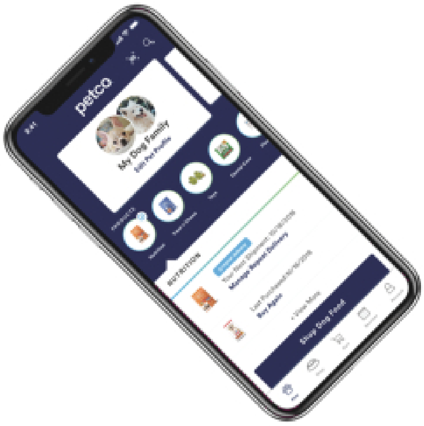
Data

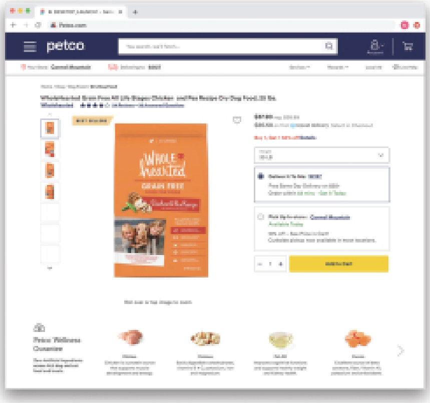
We have built a proprietary customer database leveraging information collected across our digital and physical network to construct a singular view of each of our customers. Between our Pals program and our ability to capture purchase information across our channels, we have one of the most robust databases of Active Customers and pet spend in the industry. From these data, we identify customer cohorts, cross-selling opportunities, new pet parent trends, breed-specific purchase patterns, and the likelihood of certain customers trying services, in addition to other trends. Data analysis forms the basis for ongoing marketing activities, product development, and operational improvements.

Digital Capabilities

Over the last two years, we have implemented a radical transformation in our digital business spanning core site experience, offerings, and capabilities. Today, our robust digital capabilities consist of an entirely redesigned website, featuring an enhanced product discovery experience, and easy-to-use navigation of top brands, as well as a proprietary and personalized app that serves as a singular pet management center that helps pet parents track their health, wellness, and merchandise interactions with us. These digital capabilities have created a seamless multi-channel experience for our customers who, after downloading the app, spend increasingly more with us as they take advantage of more features offered on our digital platforms.

With repeat delivery, BOPUS, and curbside pick-up capabilities, guests can receive products more quickly and conveniently than pet-oriented online-only competitors who offer no option for same day shipping, which we plan to begin offering in December 2020. These capabilities seamlessly link our digital presence with our physical network, which positions us to more effectively serve our customers.





Physical Network

We operate approximately 1,470 pet care centers across the United States and Puerto Rico. Our Petco locations average approximately 14,000 square feet and typically carry 10,000 core SKUs, with nearly all offering grooming and training services, 800 offering Vetco clinics, and 105 offering full-service veterinary hospitals. We operate 59 locations in the United States under our Unleashed brand, our concept which caters to more urban areas, as well as 89 locations in Mexico through our joint venture with Grupo Gigante.

Over the last five years, we have used our new Nexus format for our new and remodeled pet care centers. This new proven format features a modernized in-store experience by showcasing our differentiated service offering, elevated nutrition engagement, and companion animal theater. Currently, our new Nexus format incorporates revenue-driving elements like ship-from-store fulfillment stations, full-service veterinary hospitals, Just Food For Dogs pantries and kitchens, Reddy branded shops, and prescription food assortment. We have also incorporated more in-store technology, including hand-held devices for our partners to assist customers with shopping, content, and recommendations.

Our new Nexus remodel strategy has demonstrated significant economic benefits. As of the end of Fiscal 2019, the 81 locations with the new Nexus format and the revenue-driving elements (including the full-service veterinary hospital) cited above have, on average, experienced a lift in sales of approximately 600 basis points in the first full year post-remodel. As we continue to expand our Nexus format across our physical network, including veterinary hospitals, we expect to meaningfully increase the productivity and profitability generated by each pet care center, resulting in significant long-term growth for our company.

Marketing and Advertising

Over the last two years, we have completely overhauled our marketing and media strategy. The upgrade has been powered by talent infusions from Jet.com, Target, Bank of America, Pepsico, REI's membership group, HP, Kraft, and Samsung. The rebirth began with the major announcement of Petco's commitment to eliminate artificial ingredients. This announcement was Petco's largest PR/Media event impact in its history, strengthened brand awareness, and put Petco on the road to becoming a marketing-driven company. This was followed by a build-out of marketing behind our services offerings that helped drive our revenue growth from negative mid-single digits to positive growth of 14% in Fiscal 2019. We then built a world-class performance marketing capability that has meaningfully accelerated our e-Commerce business growth and positively impacted pet care center sales.

Correspondingly, we have seen a dramatic improvement in marketing return on investment. Our return on advertising spend (ROAS) more than doubles the median retailer ROAS of $3.00, and even exceeds the ROAS of specialty retailers in the 75th percentile of $6.37 per Nielsen. This strong return has given us an industry-leading customer lifetime value to customer acquisition cost ratio. We have been able to achieve these results through capability builds in insights, analytics, advanced digital marketing, analytics and improved CRM and loyalty expertise. As a result, marketing and advertising has become a "flywheel" driver of our recent strong business results.

Our Partners

Our Petco partners are our most significant assets, critical to the delivery of our transformation. Our store partners offer a level of customer engagement and content that is differentiated in retail and based on a true passion for pets. Over the past two years, we streamlined methods for setting executional priorities, provided comprehensive selling training, developed store-level sales marketing capabilities, and recaptured our partners' hearts through enhanced benefits, employee resource groups, and constant communication through tools like Workplace, an intra-company communication and collaboration platform. These efforts have increased our customer satisfaction scores, decreased partner attrition by 3% in Fiscal 2019 over the previous year, and improved our revenue per employee-hour. Our partners, including our groomers and trainers, are primarily employed on an at-will basis, and are compensated through base salary and incentive programs.

Distribution Network

We operate five primary and three regional distribution centers located in various parts of the United States that handle almost all distribution for our company. Bulk items are shipped either directly from our main distribution centers or regional distribution centers to our pet care centers across the country. Manufacturers ship product to both the main and regional distribution centers. Over the past three years, we have continued to enhance warehouse and transportation information systems, our facilities, and links with our pet center fulfillment infrastructure. We currently fulfill orders from our e-commerce customers through all of our main distribution centers or directly from pet care centers. Our ship-from-store, BOPUS, and curbside programs enhance our distribution network, allowing us to more quickly and cost effectively serve our customers. During the three quarters of Fiscal 2020, approximately 80% of digital orders (including BOPUS and ship-from-store) were fulfilled by pet care centers, which has allowed us to deliver product more quickly and cost-effectively than we otherwise could by using traditional distribution center fulfillment. On average, BOPUS orders provide 4% higher margins than standalone online orders.

We only sell the products we carry directly to consumers and primarily purchase our products directly from our vendors rather than through third-party distributors. As such, we do not rely on third-party distributors to conduct our business. Any relationships we have with third-party distributors are governed by non-exclusive agreements that do not obligate us to minimum volume or fees, and such agreements may be terminated by either party on 90 days' prior written notice.

Vendor and Veterinarian Arrangements

We purchase merchandise from over 200 vendors. In Fiscal 2019, our top vendor represented approximately 5% of annual sales, and in the thirty-nine weeks ended October 31, 2020, no single vendor accounted for more than 5% of our sales. We onboard our vendors using a standardized process to confirm their adherence to our standards, policies, and procedures, including those relating to legal compliance, standard payment terms, and product quality. These relationships are typically governed by our standard vendor terms and conditions, under which we submit purchase orders to our vendors specifying the types, quantities, and agreed prices for merchandise that we intend to purchase from them. These agreements do not typically have minimum order requirements or exclusivity obligations for either party. Our terms and conditions do not have a set term but allow us to terminate the relationship for convenience at any time upon written notice to the vendor. Our vendors may terminate the relationship on 90-days' written notice but are obligated to perform any purchase order accepted prior to such notice.

Our full-service veterinary hospitals are either operated by us or by third-party veterinary services partners with whom we have long-term contractual relationships. In the hospitals that are operated by our third-party veterinary services partners, we generally provide facilities, equipment, and customer relations management support, while the veterinary services partners provide staffing and run the day-to-day operations of the hospital. The veterinary service partners pay us a royalty based on hospital sales and a license fee to use our space and equipment. Either party can terminate the contractual relationship upon 180-days' written notice or, as applicable, upon a breach of the contract by us or a violation of the standard operating procedures by the veterinary service partner. Our Vetco clinics are staffed by Vetco personnel, some of whom are independent contractor veterinarians.

Petco Foundation

At the Petco Foundation, a separately incorporated 501(c)(3) nonprofit organization supported both by contributions from us and contributions from our customers and community partners, we believe that every animal deserves to live its best life. Since 1999, the Petco Foundation has invested more than $280 million in lifesaving animal welfare work to make that happen. With our more than 4,000 animal welfare partners, we inspire and empower communities to make a difference by investing in adoption and medical care programs, spay/neuter services, pet cancer research, service and therapy animals, and numerous other lifesaving initiatives. Through the Think Adoption First program, the Petco Foundation partners with Petco stores and animal welfare organizations across the country to increase pet adoptions. To date, we have helped more than 6.3 million pets find their new loving families.

Properties

We have co-headquartered facilities, located in San Diego, California, and San Antonio, Texas. Our San Diego, California location was completed in the summer of Fiscal 2015, comprising a total of 257,000 square feet, and is under a long-term lease. Our San Antonio location consists of a sub-divided leased facility, comprising a total of 73,000 square feet.

We lease all of our distribution center locations and nearly all of our approximately 1,470 pet care centers. The original lease term for pet care centers is generally ten years, with certain leases being shorter or longer, and many of these leases contain renewal options. The vast majority of Pet care center leases, excluding renewal options, expire at various dates over the next ten years. Our pet care centers are generally located at sites co-anchored by strong destination stores. Certain leases require payment of property taxes, utilities, common area maintenance and insurance and, if annual sales at certain locations exceed specified amounts, provide for additional rent expense.

Legal Proceedings

We are involved in the legal proceedings described in Note 16, Commitments and Contingencies, in our historical consolidated financial statements included elsewhere in this prospectus, and we are subject to other claims and litigation arising in the ordinary course of business. The outcome of any litigation is inherently uncertain, and if decided adversely to us, or if we determine that settlement of particular litigation is appropriate, we may be subject to liability that could have a material adverse effect on our business. We believe that there are no pending lawsuits or claims that, individually or in the aggregate, may have a material effect on our business, financial condition or results of operations.

Our Trademarks and Other Intellectual Property

We believe that our rights in our intellectual property, including trademarks and domain names, as well as contractual provisions and restrictions on access to our proprietary technology, are important to our marketing efforts to develop brand recognition and differentiate our brand from our competitors. We own a number of trademarks that have been registered, or for which registration applications are pending, in the United States and certain foreign jurisdictions. These trademarks include Bond & Co., Good 2 Go, Good Lovin', Harmony, Imagitarium, Leaps & Bounds, Pals Rewards, Petco, PetCoach, PupBox, Reddy, Ruff & Mews, So Phresh, Vetco, Well & Good, WholeHearted, and You & Me. The current registrations of these trademarks are effective for varying periods of time and may be renewed periodically, provided that we, as the registered owner, or our licensees where applicable, comply with all applicable renewal requirements including, where necessary, the continued use of the trademarks in connection with similar goods. We expect to pursue additional trademark registrations to the extent we believe they would be beneficial and cost-effective.

In addition to trademark protection, we own numerous domain names, including www.petco.com. We also enter into, and rely on, confidentiality and proprietary rights agreements with our employees, consultants, contractors and business partners to protect our trade secrets, proprietary technology, and other confidential information. We further control the use of our proprietary technology and intellectual property through provisions in both our customer terms of use on our website and in our vendor terms and conditions.

We believe that our intellectual property has substantial value and has significantly contributed to our success to date. We continually engage with manufacturers to develop and market better quality pet products under our brand names to better serve our customers at a lower price.

Government Regulation

We are subject to a broad range of federal, state, local, and foreign laws and regulations intended to protect public health, natural resources, and the environment. Our operations, including our private brand manufacturing outsourcing partners, are subject to regulation by OSHA, the FDA, the USDA, the DEA and by various other federal, state, local, and foreign authorities regarding the processing, packaging, storage, distribution, advertising, labeling, and import of our products, including food safety standards. Please read “Risk Factors—Risks Related to Our Business—Our operations are subject to extensive governmental regulation, and we may incur material liabilities under, or costs in order to comply with, existing or future laws and regulation. Our failure to comply with such laws and regulations may result in enforcements, recalls, and other adverse actions that could disrupt our operations and adversely affect our financial results.”

The FDA regulates animal feed, including pet food, under the Federal Food, Drug, and Cosmetic Act, (the “FFDCA”), and its implementing regulations. Although pet foods are not required to obtain premarket approval from the FDA, the FFDCA requires that all animal foods are safe for consumption, produced under sanitary conditions, contain no harmful substances, and are truthfully labelled. Most states also require that pet foods distributed in the state be registered or licensed with the appropriate state regulatory agency. In addition, most facilities that manufacture, process, pack, or hold foods, including pet foods, must register with the FDA and renew their registration every two years, and are subject to periodic FDA inspection. This includes most foreign, as well as domestic facilities. Registration must occur before the facility begins its pet food manufacturing, processing, packing, or holding operations.

In addition, any substance that is added to or is expected to become a component of a pet food must be used in accordance with a food additive regulation issued by the FDA, unless the substance is generally recognized as safe, or GRAS, under the conditions of its intended use. A food additive regulation may be obtained through the submission of a food additive petition to the FDA demonstrating that a food additive is safe for its intended use and has utility. Use of a food ingredient that is neither GRAS nor an approved food additive may cause a food to be adulterated, in which case the food may not be legally marketed in the United States.

The labeling of pet foods is regulated by both the FDA and some state regulatory authorities. FDA regulations require proper identification of the product, a net quantity statement, a statement of the name and place of business of the manufacturer or distributor, and proper listing of all the ingredients in order of predominance by weight. Most states also enforce their own labeling regulations, many of which are based on model definitions and guidelines developed by the AAFCO. The AAFCO is a voluntary, non-governmental membership association of local, state, and federal agencies that are charged with regulation of the sale and distribution of animal feed, including pet foods. The degree of oversight of the implementation of these regulations varies by state, but typically includes a state review and approval of each product label as a condition of sale in that state.

FDA also regulates the inclusion of specific claims in pet food labeling. For example, pet food products that are labeled or marketed with claims that may suggest that they are intended to treat or prevent disease in pets would potentially meet the statutory definitions of both a food and a drug. The FDA has issued guidance regarding products that provide nutrients in support of an animal’s daily nutrient needs but which are also labeled as being intended for use to diagnose, cure, mitigate, treat, or prevent disease, thereby meeting the statutory definitions of both a food and a drug. Noting an increase in the number of dog and cat foods labeled as being intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease, and noting that animal health may suffer when such products are not subject to pre-market FDA approval and are provided in the absence of a valid veterinarian-client-patient relationship, the FDA identified specific factors it will consider in determining whether to initiate enforcement action against products that satisfy the definitions of both an animal food and an animal drug, but which do not comply with the regulatory requirements applicable to animal drugs.

Under Section 423 of the FFDCA, the FDA may require the recall of an animal feed product if there is a reasonable probability that the product is adulterated or misbranded and the use of or exposure to the product will cause serious adverse health consequences or death. In addition, pet food manufacturers may voluntarily recall or withdraw their products from the market.

In addition, our business and our vendors' businesses are subject to foreign and domestic laws and regulations applicable to companies conducting business on the internet and the collection and use of personal information generally. Jurisdictions vary as to how, or whether, existing laws governing, areas such as data privacy and security, consumer protection or sales and other taxes, among other areas, apply to the internet and e-commerce, and these laws are continually evolving. Related laws may govern the manner in which we collect, use, store, or transfer sensitive information, or impose obligations on us in the event of a security breach or an inadvertent disclosure of such information. International jurisdictions impose different, and sometimes more stringent, consumer and privacy protections. Additionally, tax regulations in jurisdictions where we do not currently collect state or local taxes may subject us to the obligation to collect and remit such taxes, or to additional taxes, or to requirements intended to assist jurisdictions with their tax collection efforts. New legislation or regulations, the application of laws from jurisdictions whose laws do not currently apply to our business, or the application of existing laws and regulations to the internet and e-commerce generally could result in significant additional taxes on our business. Further, we could be subject to fines or other payments for any past failures to comply with these requirements. Please read "Risk Factors—Risks Related to Our Business—Our marketing programs, e-commerce initiatives and use of consumer information are governed by an evolving set of laws and enforcement trends, and unfavorable changes in privacy laws or trends, or our failure to comply with existing or future laws, could substantially harm our business and results of operations." The continued growth of and demand for e-commerce is likely to result in more laws and regulations that impose additional compliance burdens on e-commerce companies.

Certain states have laws, rules, and regulations that require that veterinary medical practices be either wholly owned or majority owned by licensed veterinarians and that corporations that are not wholly owned or majority owned by licensed veterinarians refrain from providing, or holding themselves out as providers of, veterinary medical care, or directly employing or otherwise exercising control over veterinarians providing such care. In these states and jurisdictions, we provide management and other administrative services to veterinary practices rather than owning such practices or directly employing the veterinarians providing medical care. Although we believe that we have structured our operations to comply with our understanding of the veterinary medicine laws of each state and jurisdiction in which we operate, interpretive legal precedent and regulatory guidance varies by jurisdiction and is often sparse and not fully developed.

In addition, all of the states in which we operate impose various registration permit and/or licensing requirements. To fulfill these requirements, we have registered each of our facilities with appropriate governmental agencies and, where required, have appointed a licensed veterinarian to act on behalf of each facility. All veterinarians practicing in our animal wellness centers are required to maintain valid state licenses to practice and veterinarians practicing in our full-service hospitals are required to maintain valid licenses with the DEA. We are also required to comply with state laws governing the dispensing of prescription pet medications by our veterinarians. Additionally, our pet insurance plans must be registered with certain state departments of insurance and comply with their requirements. We cannot assure you that we will not be subject to reprimands, sanctions, probations, or fines, or that one or more of our licenses or registrations will not be suspended or revoked.

MANAGEMENT

Directors and Executive Officers of Petco

The following table sets forth certain information as of the date of this prospectus, regarding individuals who are expected to serve as our executive officers and/or directors following the completion of this offering.

Name	Age	Position with Petco
Ronald Coughlin, Jr.	54	Chief Executive Officer and Director
Michael Nuzzo	50	Executive Vice President, Chief Financial Officer and Chief Operating Officer
Michelle Bonfilio	50	Chief Human Resources Officer
Ilene Eskenazi	48	Chief Legal Officer and Corporate Secretary
Tariq Hassan	51	Chief Marketing Officer
Nicholas Konat	43	Chief Merchandising Officer
Darren MacDonald	43	Chief Digital & Innovation Officer
Justin Tichy	49	Chief Pet Care Center Officer
John Zavada	57	Chief Information & Administrative Officer
Maximilian Biagosch	48	Director
Cameron Breitner	46	Director
Gary Briggs	58	Director
Nishad Chande	45	Director
Christy Lake	46	Director
Jennifer Pereira	38	Director
Sabrina Simmons	57	Director Nominee
Christopher J. Stadler	56	Director
Mary Sullivan	57	Director Nominee

Executive Officers

Ronald Coughlin, Jr. has served as our Chief Executive Officer and director since June 2018. In addition to the Chief Executive Officer role, he is expected to serve as Chairman of our board of directors following the completion of this offering. Prior to joining us, Mr. Coughlin served from 2014 to 2018 as President of HP Inc.'s Personal Systems segment, a $33 billion global business that offers consumer and commercial products and services. Previously, he served as Senior Vice President of Consumer PCs, Senior Vice President of LaserJet Hardware and Commercial Document Services and Solutions, and Senior Vice President of Sales, Strategy, and Marketing at HP Inc. (previously known as Hewlett-Packard Company). Prior to joining HP Inc. in 2007, Ron spent 13 years at PepsiCo in a range of senior executive roles, including Chief Marketing Officer of PepsiCo International Beverages. Mr. Coughlin earned a bachelor's degree in international marketing from Lehigh University and a master's degree in business administration from the Kellogg School of Management at Northwestern University.

Michael Nuzzo has served as our Executive Vice President, Chief Financial Officer since May 2015. He also became our Chief Operating Officer and President of our services businesses in July 2019. Prior to joining us, Mr. Nuzzo served from July 2014 to April 2015 as Chief Administrative Officer at 4moms, a technology and robotics startup company. Prior to joining 4moms, Mr. Nuzzo served as the Executive Vice President and Chief Financial Officer for GNC Holdings, Inc., a multinational health and nutrition retailer, from 2008 to 2014, playing a lead role in the company's initial public offering in 2011. From 1999 to September 2008, Mr. Nuzzo served in various senior level finance, retail operations, and strategic planning roles with Abercrombie & Fitch, a specialty retailer of casual clothing for men, women, and children, including Senior Vice President of Corporate Finance from June 2008 to September 2008 and Vice President of Corporate Finance from January 2006 to May 2008. Prior to his work in the retail sector, Mr. Nuzzo was a senior consultant in the healthcare industry with William M.

Mercer and Medimetrix Group. Mr. Nuzzo holds a bachelor's degree in economics from Kenyon College and a master's degree in finance and accounting from the University of Chicago.

Michelle Bonfilio has served as our Chief Human Resources Officer since October 2018. Prior to joining us, Ms. Bonfilio served from April 2017 to October 2018 as Chief Human Resources Officer for The Wine Group, LLC, the second-largest global producer of wine in the United States. Previously, she served as Vice President, Human Resources at Delta Dental of California from January 2016 to April 2017 and as Vice President, Human Resources at Big Heart Pet Brands from August 2014 to August 2015. She also held various HR leadership positions at Gap, Inc. from January 2005 to July 2014. Ms. Bonfilio holds a bachelor's degree in psychology from the University of California, Davis.

Ilene Eskenazi has served as our Chief Legal Officer and Corporate Secretary since September 2020. Prior to joining us, from 2016 to 2020, Ms. Eskenazi served as Global General Counsel and Chief Human Resources Officer at Boardriders, Inc. (formerly Quiksilver, Inc.), a leading action sports and lifestyle company. Previously, she served from 2013 to 2016 as Chief Legal Officer and Senior Vice President of Talent Operations and Performance at True Religion Apparel, Inc., an apparel and retail company. True Religion subsequently filed for Chapter 11 bankruptcy in July 2017, which it exited four months later. Before that, Ms. Eskenazi served as the General Counsel for Red Bull North America, Inc. between 2008 and 2013 and as the Deputy General Counsel at The Wonderful Company between 2002 and 2008. Ms. Eskenazi started her legal career at Skadden, Arps, Slate, Meagher and Flom LLP. Ms. Eskenazi holds a bachelor's degree in philosophy from the University of Michigan and a J.D. from the University of California, Los Angeles School of Law.

Tariq Hassan has served as our Chief Marketing Officer since July 2018. Prior to joining us, Mr. Hassan served from 2015 to 2017 as head of brand for Bank of America, a multinational investment bank and financial services holding company. Prior to that, he held global leadership roles with Hewlett-Packard Company (now HP Inc.), a leading global provider of personal computing and other access devices, imaging, and printing products, and related technologies, solutions and services, between 2008 and 2012, and global executive management roles with Omnicom Group, Inc., a global marketing, media, and corporate communications holding company, between 2001 and 2008 and then again between 2012 and 2014. Mr. Hassan holds an honors bachelor's degree in international political science and philosophy from the University of Western Ontario, and a master's degree in integrated marketing communications from Northwestern University.

Nicholas Konat has served as our Chief Merchandising Officer since September 2018. He joined Petco in 2015 as Vice President of Owned Brands, leading product innovation and design before being promoted to Senior Vice President of Owned Brands and Merchandising. Prior to joining us, Mr. Konat served as Director of Food and Merchandising Planning at Target Corporation, capping a 9+ year career there where he held a range of merchandising, planning and leadership roles across the food and fashion categories. Mr. Konat also spent six years with Accenture plc, a multinational professional services company. Mr. Konat holds an honors bachelor's degree in political science and government from St. John's University.

Darren MacDonald has served as our Chief Digital & Innovation Officer since June 2019. Prior to joining us, Mr. MacDonald served from February 2016 to January 2017 as Senior Vice President of Jet.com, a then e-commerce company, and from January 2017 to June 2019 as Group General Manager and Global Officer for U.S. at Walmart Inc., a multinational retail corporation. Prior to that, between April 2014 and February 2016, he was the Founder and CEO of Ingress Capital. Previously, he was the CEO of The Pronto Network, an IAC company, and also held a number of roles at Avery Dennison Corporation. Mr. MacDonald holds a bachelor's degree from the University of California, Berkeley and a master's degree in business administration from the University of California, Los Angeles.

Justin Tichy has served as our Chief Pet Care Center Officer since October 2018. Prior to joining us, Mr. Tichy served from May 2015 to October 2018 as President of Sales at Confie, one of the largest privately held insurance brokers in the nation. Previously, he held key leadership positions at

Best Buy Co., Inc., Target Corp., and Walmart Inc. Mr. Tichy holds a bachelor's degree in business management from Pennsylvania State University and a master's degree in organizational management from the University of Phoenix.

John Zavada has served as our Chief Information & Administrative Officer since September 2016. Prior to joining us, Mr. Zavada served from 2013 to 2016 as Senior Vice President and Chief Information Officer at Restoration Hardware, a luxury home-furnishings company. Previously, he filled Chief Information Officer roles at Guitar Center, Big Lots, Inc., Gottschalks Department Stores, and Victoria's Secret Stores. Mr. Zavada holds a bachelor's degree in business information systems from California State Polytechnic University.

Directors

Maximilian Biagosch has been a member of our board of directors since 2018. Mr. Biagosch is a Managing Director at CPP Investments, one of our Sponsors, which he joined in 2015. Between 2007 and 2015, Mr. Biagosch worked at Permira Advisers LLP, an international investment firm, where he was the head of Permira's Capital Markets Group. Prior to Permira Advisers LLP, Mr. Biagosch worked in investment banking at Deutsche Bank and at BNP Paribas. Mr. Biagosch received a Master of Laws (LLM) from Ludwig-Maximilians-Universität Munich. His experience across multiple industries and with portfolio company operational performance improvement qualifies him to serve on our board of directors.

Cameron Breitner has been a member of our board of directors since 2016. He is a Managing Partner at CVC, the private equity and investment advisory firm that advises and manages CVC Funds, one of our Sponsors, which he joined in 2007. He is the head of CVC's San Francisco office and shares responsibility for overseeing CVC's U.S. Private Equity activities. Prior to joining CVC, Mr. Breitner was a Managing Director at Centre Partners, a private equity firm, where he worked from 1998 to 2007. Prior to Centre Partners, he worked in mergers and acquisitions at Bowles Hollowell Conner & Co. Mr. Breitner currently serves on the board of directors of Advantage Solutions Inc., a leading business solutions provider to consumer goods manufacturers and retailers. Mr. Breitner has previously served on the board of directors of BJ's Wholesale Club Holdings, Inc. among many other public and private companies. Mr. Breitner received a bachelor's degree in psychology from Duke University. His retail industry experience qualifies him to serve on our board of directors.

Gary Briggs has been a member of our board of directors since 2018. Since 2019, he has served as the Chairman at Hawkfish, a data and technology firm. He also serves on the board of directors of Etsy and Afterpay. Previously, between 2013 and 2018, Mr. Briggs served as the Chief Marketing Officer of Facebook, Inc., a social media conglomerate corporation. Prior to joining Facebook, he served in various leadership roles at Google LLC, a technology company. Before then, he held a number of marketing and general management leadership roles at eBay Inc., PayPal, Inc., PepsiCo, Inc., and IBM Corp. Earlier in his career, he was a management consultant with McKinsey and Company. He holds a bachelor's degree from Brown University and a master's degree from the Kellogg School of Management at Northwestern University. His extensive experience in marketing and brand management qualifies him to serve on our board of directors.

Nishad Chande has been a member of our board of directors since 2016. He is a Senior Managing Director, U.S. Head of Consumer and Co-Head of Business Services at CVC, the private equity and investment advisory firm that advises and manages CVC Funds, one of our Sponsors, which he joined in 2016. Prior to joining CVC, he worked at Centre Partners, a private equity firm, from 2005 to 2016, Bain & Company from 2003 to 2005, Raymond James Capital from 1999 to 2001, and Schroders from 1997 to 1999. Mr. Chande previously served on the board of directors of BJ's Wholesale Club Holdings, Inc. Mr. Chande holds a bachelor's degree in economics and mathematics from Dartmouth College and a master's in business administration degree from the Wharton School at the University of Pennsylvania. His experience across multiple industries qualifies him to serve on our board of directors.

Christy Lake has served as a member of our board of directors since 2018. Since April 2020 she has served as the Chief People Officer at Twilio, a cloud communications platform. Previously, between 2018 and 2020, Ms. Lake served as a Senior Vice President and Chief People Officer at Box, Inc., an internet company. Prior to Box, Ms. Lake worked at Medallia, serving as VP of People and Culture from 2016 to 2018 and VP of HRBP & HR Operations in 2016. Ms. Lake also served as Global Head of HR for HP's Personal Systems division from 2015 to 2016 and has held additional HR positions at HP and The Home Depot, among other companies. Ms. Lake holds a bachelor's degree in political science from the University of Connecticut. Her experience in leadership across various industries qualifies her to serve on our board of directors.

Jennifer Pereira has been a member of our board of directors since 2016. She is a Senior Principal at CPP Investments, one of our Sponsors, which she joined in 2011 and where she currently leads consumer and retail private equity efforts in North America. Prior to joining CPP Investments, Ms. Pereira worked at the Boston Consulting Group from 2006 to 2009. Ms. Pereira also serves as a director on the board of directors of Ultimate Kronos Group and as an observer on the board of directors of Merlin Entertainments Ltd. She holds a bachelor's degree in engineering from the University of Toronto and a master's degree in business administration from the Wharton School at the University of Pennsylvania. Her experience in private equity investing and the consumer and retail industries qualifies her to serve on our board of directors.

Sabrina Simmons is expected to become a member of our board of directors as of the effectiveness of the registration statement of which this prospectus forms a part. She served as Executive Vice President and Chief Financial Officer of Gap, Inc., a worldwide clothing and accessories retailer, from January 2008 to February 2017. Previously, Ms. Simmons also served in the following positions at Gap, Inc.: Executive Vice President, Corporate Finance from September 2007 to January 2008, Senior Vice President, Corporate Finance and Treasurer from March 2003 to September 2007, and Vice President and Treasurer from September 2001 to March 2003. Prior to that, Ms. Simmons served as Chief Financial Officer and an executive member of the board of directors of Sygen International plc, a British genetics company, and was Assistant Treasurer at Levi Strauss & Co., a clothing company. Ms. Simmons currently serves as a member of the board of directors of Williams-Sonoma, Inc., e.l.f. Cosmetics, Inc. and Columbia Sportswear Company. She holds a bachelor degree in business administration from the University of California, Berkeley and a master's degree in business administration from the Anderson School at the University of California, Los Angeles. Her public company, global retail and financial experience qualifies her to serve on our board of directors.

Christopher J. Stadler has been a member of our board of directors since 2016. He is a Managing Partner at CVC, the private equity and investment advisory firm that advises and manages CVC Funds, one of our Sponsors, which he joined in 2007. Mr. Stadler is on the board of the CVC Capital Partners advisory business and is the Co-Chairman of the Europe/North America Private Equity Board. Prior to joining CVC, he worked for Investcorp as Head of Private Equity, North America after joining as Managing Director in 1996. Mr. Stadler previously served on the board of directors of BJ's Wholesale Club Holdings, Inc. He holds a bachelor's degree in economics from Drew University and a master's degree in business administration from Columbia University. His experience across multiple industries qualifies him to serve on our board of directors.

Mary Sullivan is expected to become a member of our board of directors upon the completion of this offering. Ms. Sullivan is Senior Managing Director & Chief Talent Officer at CPP Investments, one of our Sponsors, which she joined in 2015 and where she currently is responsible for talent acquisition, organizational development, international mobility, compensation and benefits, facilities and office services, and inclusion and diversity. Prior to joining CPP Investments, Ms. Sullivan was Senior Vice President, People at Holt, Renfrew & Co., a Canadian luxury department store chain, from 2014 to 2015, where she was responsible for the Human Resources function. From 2007 to 2014, she worked at Four Seasons Hotels and Resorts, ending her career at the firm in the role of Senior Vice President, Corporate Human Resources. She also spent seven years as a leader of the Human Resources function at IMAX Corporation, ending as Senior Vice President of Human Resources. Ms. Sullivan holds a bachelor's degree in administrative and commercial studies from the University of Western Ontario and a master's degree in business administration from the Rotman School of Management at the University of Toronto. Her experience in leadership roles across the retail and hospitality industries qualifies her to serve on our board of directors.

Status as a Controlled Company

Because our Sponsors will control 171,224,140 shares of Class A common stock and 37,790,781 shares of Class B-2 common stock, which are the only classes of our common stock entitled to vote on director elections and which represent in the aggregate approximately 81.3% of the voting power with respect to director elections, we expect to be a controlled company as of the completion of this offering under the Nasdaq rules. A controlled company is not required to have a majority of independent directors or form an independent compensation or nominating and corporate governance committee. As a controlled company, we will remain subject to rules that require us to have an audit committee composed entirely of independent directors, subject to the "phase-in" rules applicable to newly public companies. Under the "phase in" rules, we must have at least three independent directors on our audit committee within one year of the effectiveness of the registration statement of which this prospectus forms a part. We expect to have at least three independent directors upon the completion of this offering.

If at any time we cease to be a controlled company, we will take all action necessary to comply with SEC rules and regulations and the Nasdaq rules, including by appointing a majority of independent directors to our board of directors and ensuring that we have a compensation committee and a nominating and corporate governance committee, each composed entirely of independent directors, subject to the permitted "phase-in" periods.

Board of Directors and Committees

Composition of Our Board of Directors After This Offering

Our business and affairs are managed under the direction of our board of directors. We expect our board of directors to consist of at least ten members upon the completion of this offering. We are in the process of identifying one or more additional individuals who will serve on our board of directors following the completion of this offering.

Our certificate of incorporation and bylaws, which will be in effect upon the completion of this offering, will provide for our board of directors to be classified into three classes of directors, serving staggered three-year terms of office. Our board of directors will have the exclusive power to fix the number of directors in each class. Only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Directors designated as Class I directors will have initial terms expiring at the first annual meeting of stockholders following the completion of this offering. Directors designated as Class II directors will have initial terms expiring at the second annual meeting of stockholders following the completion of this offering. Directors designated as Class III directors will have initial terms expiring at the third annual meeting of stockholders following the completion of this offering. Beginning with the first annual meeting of stockholders following the completion of this offering, directors of each class the term of which shall then expire shall be elected to hold office for a three-year term and until the election and qualification of their respective successors in office or until any such director's earlier death, resignation, removal, retirement or disqualification.

In connection with this offering, we expect to enter into a stockholder's agreement with our Principal Stockholder, which will provide our Principal Stockholder with the right to designate a certain number of nominees for election to our board of directors and with certain committee nomination and observer rights. Specifically, pursuant to the stockholder's agreement, so long as our Principal Stockholder (including its permitted transferees under the stockholder's agreement) has sold, in the aggregate, (i) 50% or less of the total outstanding shares of Class A Common Stock and Class B-1

Common Stock beneficially owned (directly or indirectly) by it upon the completion of this offering, it will be entitled to nominate six directors, (ii) more than 50% but less than or equal to 75%, it will be entitled to nominate four directors; (iii) more than 75% but less than or equal to 90%, it will be entitled to nominate two directors; and (iv) more than 90%, it will not be entitled to nominate any directors. If, with the Principal Stockholder's prior written consent, the size of the board is decreased, the Principal Stockholder will be entitled to designate the same number of persons for nomination and election to our board of directors as set forth above. If, with the Principal Stockholder's prior written consent, the size of the board is increased, our Principal Stockholder will be entitled to designate a proportional number of persons for nomination and election to our board of directors (rounded up to the nearest whole, even number). In addition, subject to any requirements, including independence requirements, for committee members imposed by applicable law or by the applicable rules of any national securities exchange on which the Class A common stock may be listed or traded, our Principal Stockholder will have the right to have two of its nominees appointed to serve on each committee of the board of directors for so long as our Principal Stockholder has the right to designate at least two directors for nomination and election to the board. Our Principal Stockholder will also be entitled to designate at least four non-voting observers to attend all meetings of the board of directors and its committees as long as our Principal Stockholder has nomination rights under the Stockholder's Agreement.

The Principal Stockholder has been deemed to have nominated Christopher J. Stadler, Cameron Breitner, and Nishad Chande as designees of CVC, and Jennifer Pereira, Maximilian Biagosch, and Mary Sullivan as designees of CPP Investments, for nomination and election to our board of directors.

In accordance with our certificate of incorporation and the stockholder's agreement, each of which will be in effect upon the completion of this offering, our board of directors will be divided into three classes with staggered three year terms. Our directors will be initially divided among the three classes as follows:

- the Class I directors will be Maximilian Biagosch, Cameron Breitner, Ronald Coughlin, and Sabrina Simmons, and their terms will expire at the first annual meeting of stockholders to be held following the completion of this offering;
- the Class II directors will be Christy Lake, Jennifer Pereira, and Christopher Stadler, and their terms will expire at the second annual meeting of stockholders to be held following the completion of this offering; and
- the Class III directors will be Gary Briggs, Nishad Chande, and Mary Sullivan, and their terms will expire at the third annual meeting of stockholders following the completion of this offering.

At any time when the members of the board are allocated among separate classes of directors, we will take all necessary action so that the directors designated by the Principal Stockholder are in the applicable classes of directors designated by the Principal Stockholder.

Please read "Certain Relationships and Related Party Transactions—Stockholder's Agreement" for more information.

Director Independence

Each of Gary Briggs, Christy Lake, and Sabrina Simmons is expected to be "independent" as defined under the Nasdaq rules and Rule 10A-3 under the Exchange Act. We intend to appoint at least one other director who will be "independent" as defined under the Nasdaq rules and Rule 10A-3 under the Exchange Act within one year after the effective date of the registration statement of which this prospectus forms a part.

Committees of Our Board of Directors

In connection with this offering, our board of directors will establish an Audit Committee, as well as a Compensation Committee and a Nominating and Corporate Governance Committee. These committees are described below.

Audit Committee

In connection with this offering, we will form the Audit Committee as required by the Nasdaq listing rules consisting of Maximilian Biagosch, Nishad Chande, and Sabrina Simmons. We will rely on the phase-in rules of the SEC and Nasdaq with respect to the independence of our Audit Committee. These rules permit us to have an Audit Committee that has one member that is independent as of the effectiveness of the registration statement of which this prospectus forms a part, a majority of members that are independent within 90 days of the effectiveness of the registration statement of which this prospectus forms a part, and all members that are independent within one year of the effectiveness of the registration statement of which this prospectus forms a part. Sabrina Simmons will qualify as the "independent" director for purposes of the SEC and Nasdaq independence rules that are applicable to audit committee members. Maximilian Biagosch will serve as the chair of the Audit Committee. Sabrina Simmons is expected to qualify as an "audit committee financial expert" as defined by the SEC. The Audit Committee will be governed by a charter that complies with the Nasdaq rules. Our Audit Committee, among other things, will have responsibility for:

- assisting our board of directors in its oversight responsibilities regarding the integrity of our financial statements, our compliance with legal and regulatory requirements, the independent accountant's qualifications and independence, and our accounting and financial reporting processes of and the audits of our financial statements;
- preparing the report required by the SEC for inclusion in our annual proxy or information statement;
- approving audit and non-audit services to be performed by the independent accountants; and
- performing such other functions as our board of directors may from time to time assign to the audit committee.

Compensation Committee

Upon the completion of this offering, the Compensation Committee will consist of Maximilian Biagosch, Cameron Breitner, and Christy Lake. Cameron Breitner will serve as the chair of the Compensation Committee. As a controlled company, we will rely upon the exemption from the Nasdaq requirement that we have a compensation committee composed entirely of independent directors. The Compensation Committee will be governed by a charter that complies with the Nasdaq rules. Our Compensation Committee, among other things, will have responsibility for:

- reviewing and approving the compensation and benefits of our Chief Executive Officer and other executive officers or recommending such compensation for approval by our board of directors, as applicable;
- recommending the amount and form of non-employee director compensation;
- appointing and overseeing any compensation consultant; and
- performing such other functions as our board of directors may from time to time assign to the compensation committee.

Nominating and Corporate Governance Committee

Upon the completion of this offering, the Nominating and Corporate Governance Committee will consist of Cameron Breitner, Gary Briggs, and Mary Sullivan. Gary Briggs will serve as the chair of the Nominating and Corporate Governance Committee. As a controlled company, we will rely upon the exemption from the Nasdaq requirement that we have a nominating and corporate governance committee composed entirely of independent directors. The Nominating and Corporate Governance Committee will be governed by a charter that complies with the Nasdaq rules. Our Nominating and Corporate Governance Committee, among other things, will have responsibility for:

- identifying individuals qualified to become members of our board of directors, consistent with criteria approved by our board of directors; and
- developing and recommending to our board of directors a set of corporate governance guidelines and principles.

Compensation Committee Interlocks and Insider Participation

During Fiscal 2019 and prior to the completion of this offering, the Compensation Committee, which was formed in September 2018, consisted of Max Biagosch (Chair), Cameron Breitner, and Christy Lake. None of our executive officers currently serves, or in the past fiscal year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or Compensation Committee. None of the members of the Compensation Committee is, nor has ever been, an officer or employee of our company.

Code of Business Conduct and Ethics

We intend to adopt a code of business conduct and ethics in connection with this offering relating to the conduct of our business by all of our employees, officers and directors. Our code of business conduct and ethics will satisfy the requirement that we have a “code of conduct” under the Nasdaq and SEC rules. It will be posted on our website at www.petco.com. To the extent required under the listing rules and SEC rules, we intend to disclose future amendments to certain provisions of this code of business conduct and ethics, or waivers of such provisions, applicable to any of our executive officers or directors, on our website identified above.

Corporate Governance Guidelines

In connection the completion with this offering, we intend to adopt corporate governance guidelines, which will serve as a flexible framework within which our board of directors and its committees will operate. These guidelines will cover a number of areas, including the role of our board of directors, board composition and leadership structure, director independence, director selection, qualification and election, director compensation, executive sessions, CEO evaluation, succession planning, annual board assessments, board committees, director orientation and continuing education, board communication with stockholders and others. A copy of our corporate governance guidelines will be posted on our website at www.petco.com.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This Compensation Discussion and Analysis, or CD&A, provides an overview of our executive compensation philosophy, objectives, and design and each element of our executive compensation program with regard to the compensation awarded, to, earned by, or paid to our named executive officers (our "NEOs"), during Fiscal 2019, as well as certain changes we have made to our executive compensation program since the end of Fiscal 2019. Our NEOs are or were employed by our subsidiary, Petco Animals Supplies Stores, Inc.

For Fiscal 2019, our NEOs were:

Name	Title
Ronald Coughlin, Jr.	Chief Executive Officer
Michael Nuzzo	Executive Vice President, Chief Financial Officer and Chief Operating Officer(1)
Darren MacDonald	Chief Digital & Innovation Officer(2)
Justin Tichy	Chief Pet Care Center Officer
Michelle Bonfilio	Chief Human Resources Officer
Laura Wilkin	Former Executive Vice President and Chief Supply Chain Officer(3)

(1) Mr. Nuzzo is, and throughout Fiscal 2019 was, our acting principal financial officer.
(2) Mr. MacDonald was appointed as Chief Digital and Innovation Officer on June 10, 2019.
(3) Ms. Wilkin's employment with us ended on August 30, 2019.

Principal Objectives of Our Compensation Program for Named Executive Officers

Our executive team is critical to our success and to building value for our stockholders. The principal objectives of our executive compensation program are to:

- attract and retain highly talented executives to serve in leadership positions and advance our long-term growth strategy;
- motivate such executives to succeed by providing compensation that is based on both short- and long-term Petco performance;
- reward our executives appropriately over time for performance that increases stockholder value; and
- align the interests of our officers with those of our stockholders by delivering a substantial portion of the officers' compensation through incentives that drive long-term enterprise value.

Our executive compensation program is designed to reinforce a sense of ownership in Petco, urgency with respect to our business growth and overall entrepreneurial spirit. The program links rewards to overall Petco performance.

Process for Setting Executive Compensation

Role of our Board of Directors and Management in Compensation Decisions

As described below, the primary elements of our executive compensation program are annual base salary, annual short-term cash incentives, long-term equity incentives, and retirement and termination benefits. Together, these items are intended to be complementary and serve the goals described above.

Historically and during Fiscal 2019 prior to the formation of our Compensation Committee as described below, our executive compensation program was developed and overseen by our board of directors. In making decisions regarding the allocation of compensation between short-term and long-term compensation, between cash and non-cash compensation, or among different forms of cash and non-cash compensation, our board of directors took into account the views and recommendations of management, in particular our Chief Executive Officer, or our CEO (except with respect to his own compensation). Our CEO made recommendations about annual base salary increases, annual short-term incentive targets and long-term equity grants for our NEOs using market data and internal equity alignment while working within the parameters of our annual budget for base salary increases and the size of the equity pool.

In September 2018, our board of directors formed a Compensation Committee to oversee our executive compensation program going forward. The purpose of the Compensation Committee is to evaluate the compensation of the executive officers of Petco and assure that they are compensated effectively in a manner consistent with the stated compensation strategy of Petco, internal equity considerations, competitive practice, and the requirements of any appropriate regulatory bodies. In March 2020, the Compensation Committee began to schedule and administer stand-alone meetings in order to build more robust compensation-related governance practices.

Use of Compensation Consultants

In preparation for this offering, the Compensation Committee engaged Exequity as its independent compensation consultant in October 2019 to begin planning for stand-alone Compensation Committee meetings and to provide compensation consulting services going forward. It is expected that Exequity will provide services including a review and analysis of our executive compensation levels and practices, remuneration of members of our board of directors, executive officer and non-employee director ownership guidelines, peer group compensation, and long-term incentive plan design and grant practices.

Internal Pay Equity and Other Factors

In setting base salary, annual short-term cash incentives and long-term equity incentives, our board of directors, in collaboration with the CEO, has considered factors such as internal pay equity, the experience and length of service of the executive, relative responsibilities among members of our executive team, individual contributions by the executive, and business conditions. In addition, our board of directors has also relied on the experience of its Sponsor-affiliated members who consider the compensation of our executive team in light of the compensation structure of other portfolio companies or private equity-backed companies in general, which typically favors higher long-term incentive compensation due to the nature of such businesses and their ownership.

For elements of compensation other than total direct compensation, such as severance and change in control benefits, our board of directors has relied on its own business experience and familiarity with market conditions in determining the appropriate level of protections for our NEOs.

Elements of Compensation

The main components of our executive compensation during Fiscal 2019 included base salary, an annual cash incentive, long-term equity incentive awards, and other benefits and perquisites.

Base Salary

We pay our NEOs a base salary to provide them with a fixed, base level of compensation commensurate with the executive's skill, competencies, experience, contributions, and performance, as well as general review of market compensation. Base salaries are generally reviewed annually, and our board of directors makes adjustments to reflect individual and Petco performance as well as any survey and peer group data provided at such time. Our CEO and Chief Human Resources Officer make recommendations to our board of directors regarding base salary adjustments for our NEOs (except with respect to their own salaries). These recommendations are generally based upon the executive's individual contributions to Petco for the prior fiscal year, leadership and contribution to Petco performance, internal pay considerations, market conditions and survey data, and our overall budget for base salary increases for Petco employees generally. Our board of directors takes all of these factors into account when making its decisions on base salaries but does not assign any specific weight to any one factor. In addition to the annual base salary review, our board of directors may also adjust base salaries at other times during the year in connection with promotions, increased responsibilities, or to maintain competitiveness in the market.

There were no base salary increases awarded to NEOs in Fiscal 2019. The chart below provides the base salary for each of our NEOs as of the end of Fiscal 2019.

Name	Base Salary as of 02/01/2020
Ronald Coughlin, Jr.	$ 850,000
Michael Nuzzo	$ 650,000
Darren MacDonald	$ 550,000
Justin Tichy	$ 480,000
Michelle Bonfilio	$ 456,000
Laura Wilkin(1)	$ 515,000

(1) For Ms. Wilkin, this amount reflects her base salary in effect immediately prior to her separation.

Fiscal Year 2020 Base Salary Actions

In March 2020 the Compensation Committee reviewed total direct compensation for each named executive officer and awarded Ms. Bonfilio a base salary increase to $490,000 in light of market data and Ms. Bonfilio's position.

In connection with the COVID-19 pandemic and the resulting economic downturn, our executive leaders, including our NEOs, proactively agreed to temporarily receive reduced base salaries in light of the economic uncertainties caused by the pandemic. Effective April 19, 2020 through May 30, 2020, Mr. Coughlin agreed to receive no base salary, while all other NEOs agreed to 25% reductions in base salary. Effective May 31, 2020, base salaries for all NEOs returned to pre-pandemic levels.

In September 2020, the Compensation Committee awarded each NEO, except Ms. Bonfilio who received an increase earlier in the year, a 2.25% base salary increase in accordance with our annual merit cycle. These small base salary increases were consistent with Petco-wide increases provided to all salaried employees based upon Petco's strong performance through unprecedented times, which was accomplished as one team.

The chart below provides the base salary for each of our NEOs, excluding Ms. Wilkin, following the adjustments described herein.

Name	Base Salary as of 09/30/2020
Ronald Coughlin, Jr.	$ 869,125
Michael Nuzzo	$ 664,625
Darren MacDonald	$ 562,375
Justin Tichy	$ 490,800
Michelle Bonfilio	$ 490,000

Annual Cash Incentive Program

A hallmark of the transformation of our business has been the belief that annual cash incentives should be based upon actual performance measured against specified key business and financial metrics. These metrics span both company and individual performance.

Each of our NEOs participates in our Corporate Annual Performance Incentive Plan (the "Bonus Plan") and is eligible for a target annual cash bonus that is equal to a percentage of his or her annual base salary. For Fiscal 2019, the target annual bonus for each of our NEOs was as follows:

Name	Target Annual Cash Incentive (% of Base Salary)
Ronald Coughlin, Jr.	125%
Michael Nuzzo	80%
Darren MacDonald	80%
Justin Tichy	60%
Michelle Bonfilio	60%
Laura Wilkin(1)	80%

(1) For Ms. Wilkin, this amount reflects her target bonus in effect prior to her separation.

At the beginning of each fiscal year, our board of directors establishes each NEO's target annual cash incentive amount as well as the performance metrics under the Bonus Plan. Annual cash incentives for our NEOs are based on the achievement of Petco and personal performance goals. For Fiscal 2019, the Bonus Plan considered a balanced mix of overall Petco financial measures (50%) ("Company Performance") and personal performance (50%) to assign its payout to each NEO. At the outset of Fiscal 2019, our board of directors set threshold, target, and maximum goals for each performance metric that it believed to be reasonable and reflective of current business conditions and our business plan and budget for the fiscal year. Our board of directors reserved the right to make adjustments to such goals based on non-recurring events during the fiscal year that were not otherwise in the purview of our board of directors when setting such goals. It was our board of directors' view that threshold levels of performance should have a higher probability of achievement and maximum levels should have lower probability of achievement, and that payouts associated with each should serve as significant incentive to employees. Notwithstanding performance of any particular Company Performance measure, the Bonus Plan provided that no payment would be paid if Adjusted EBITDA performance was less than 95% of the target goal.

In addition to the Company Performance measures, for each of the CEO's direct reports, personal performance is recommended by the CEO and approved by the Compensation Committee generally based on achievement of strategic objectives and support for our leadership and diversity and inclusion initiatives. For the CEO, personal performance is recommended and approved by the Compensation Committee.

Metric (dollars in millions)	Weighting	Threshold	Target(1)	Maximum
Company Performance				
Adjusted EBITDA(2)	35.0%	$ 407.3	$ 452.5	$ 515.9
Sales(3)	7.5%	$ 4,392.2	$4,508.4	$ 4,605.0
Levered Free Cash Flow(4)	7.5%	$ 228.1	$ 258.1	$ 295.1
Personal Performance	50.0%	—	—	—
Payout Percentage:		25%	100%	200%(5)

(1) If performance is between the threshold and target amounts set forth above and between the target and maximum amounts set forth above, the payout percentage is interpolated on a straight line basis.

(2) For purposes of the Bonus Plan, Adjusted EBITDA, which is a non-GAAP financial measure, is generally calculated consistent with the calculations shown under "Selected Historical Consolidated Financial Data—Non-GAAP Financial Measures" above; however, the board of directors and/or Compensation Committee, as applicable, has discretion to consider additional adjustments or remove adjustments as permitted under the terms of the Bonus Plan.

(3) Sales means total net sales, as reported in the consolidated financial statements included in this prospectus. Please read "Management's Discussion and Analysis of Financial Condition and Results of Operations—Significant Components of Results of Operations—Net Sales" for additional information regarding our net sales.
(4) Levered Free Cash Flow, which is a non-GAAP financial measure, means cash generated from operations, less incentive expense, taxes, interest, and investments in capital and/or strategic acquisitions.
(5) For Levered Free Cash Flow, the maximum payout percentage is 145%, rather than 200%.

Following completion of Fiscal 2019, the Compensation Committee utilized its discretion to establish a payout level of 105% for Fiscal 2019 in lieu of the Company Performance measures originally set in the beginning of Fiscal 2019 based on the Compensation Committee's subjective view of Petco's overall financial performance for Fiscal 2019. Although the Compensation Committee ultimately elected not to follow formulaically the Company Performance measures established at the outset of Fiscal 2019 and described above, the Compensation Committee believes that the portion of each NEO's annual cash incentive award that would have otherwise been related to Company Performance more accurately reflected how Petco performed during Fiscal 2019. Additionally, following the end of Fiscal 2019, the Compensation Committee reviewed and considered the individual contributions of each NEO and determined the actual amount earned by each of our NEOs under the Bonus Plan for Fiscal 2019. The Compensation Committee felt that strong financial performance for Petco in Fiscal 2019, combined with the strategic momentum delivered by the NEOs, supported above-target payout amounts for the Personal Performance metric within the plan. The table below sets forth the annual cash incentive award paid to each NEO for Fiscal 2019 under the Bonus Plan:

Name	Annual Cash Incentive Award for 2019
Ronald Coughlin, Jr.	$ 1,158,125
Michael Nuzzo	$ 646,000
Darren MacDonald(1)	$ 512,000
Justin Tichy(1)	$ 402,400
Michelle Bonfilio	$ 387,280
Laura Wilkin(2)	—

(1) Per the terms of their employment agreements, Messrs. MacDonald and Tichy were eligible to receive guaranteed payouts of at least $440,000 and $288,000, respectively, for Fiscal 2019.
(2) As a result of her separation from employment, Ms. Wilkin did not receive a payout under the Bonus Plan for Fiscal 2019.

Fiscal Year 2020 Annual Incentive Plan Actions

In connection with the COVID-19 pandemic and the extraordinary circumstances resulting from the economic downturn, the Compensation Committee has not approved an annual incentive plan for the 2020 fiscal year. The Compensation Committee plans to review operating performance, with a focus on our Adjusted EBITDA, and to use its discretion to determine annual incentive payouts for NEOs at the end of the 2020 fiscal year.

Long-Term Equity Incentive Compensation

Prior to this offering, our equity incentive program consisted of grants of Common Series C Units in Scooby LP, our indirect parent (the "C Units"). C Units are intended to qualify as "profits interests" for U.S. income tax purposes. The C Units are designed to align the NEOs' interests with the interests of our equity holders and represent interests in the future profits (once a certain level of proceeds has been generated) in Scooby LP. C Units generally vest in equal annual installments over five years following the date of grant. C Units are also subject to accelerated vesting in connection with a change in control and certain other events, as described under "—Potential Payments Upon Termination or

Change in Control—C Units” below. It is expected that the C Units will remain outstanding following this offering.

C Units are granted with a “Distribution Threshold,” which acts similarly to a strike price for a stock option such that the holder will only realize value in excess of such amount. The Distribution Threshold has traditionally been reviewed and set on a periodic basis in conjunction with a Petco valuation. All C Unit grants in Fiscal 2019 were granted with a Distribution Threshold of $0.50 per unit pursuant to an outside valuation.

C Unit grants have been granted to new executives upon hire, or a short time thereafter, and grant amounts have been determined by internal equity alignment and external factors, including but not limited to sign-on awards and make-whole awards for employees forfeiting compensation opportunities from their prior employers. C Units are also granted from time-to-time thereafter for purposes related to recognition, promotion, retention, or other factors. In recognition of their performance, during Fiscal 2019, each of our NEOs other than Mr. Nuzzo received a grant of C Units as set described under “—2019 Grants of Plan-Based Awards Table” below.

Select management also have had an opportunity to purchase or receive Common Series B Units in Scooby LP (the “B Units”). These B Units are intended to represent full-value ownership interests equivalent to those held by our Sponsors (other than with respect to voting rights, which B Units do not possess) and have historically been purchased by holders for their then-fair market value. B Units are designed to align the NEOs’ interests with the interests of our equity holders and represent interests in the future profits of Scooby LP. During Fiscal 2019, Darren MacDonald, in accordance with his employment agreement, received 1,400,000 fully vested B Units in order to compensate him for the loss of unvested compensation from his prior employer.

Fiscal Year 2020 Long-Term Equity Incentive Compensation Actions

As noted above, in recognition of unique contributions, an NEO may be awarded additional C Units. During Fiscal 2020, the following NEOs earned additional C Unit awards:

Name	C Units Granted (#)
Ronald Coughlin, Jr.	15,000,000
Michael Nuzzo	3,000,000
Darren MacDonald	—
Justin Tichy	1,000,000
Michelle Bonfilio	1,000,000
Laura Wilkin	—

Mr. Coughlin’s and Mr. Nuzzo’s awards were granted in recognition for their roles and extra efforts related to this offering and as a way to align their interests with our stockholders’ interests. Their grants were offered at a Distribution Threshold higher than other NEOs and significantly in excess of the then-fair market value of Scooby LP as determined pursuant to an outside valuation firm. Grants for Mr. Tichy and Ms. Bonfilio were awarded as recognition of strong performance, retention, and internal equity alignment purposes.

In connection with the consummation of this offering, we expect to grant equity awards to our NEOs under the 2021 Plan. The total value of these equity awards are as follows: for Mr. Coughlin, $12,500,000; for Mr. Nuzzo, $3,000,000; for Mr. MacDonald, $2,250,000; for Mr. Tichy, $2,250,000; and for Ms. Bonfilio, $1,000,000. The awards will be 50% (or, for Mr. Coughlin, 70%) in the form of nonqualified stock options and 50% (or, for Mr. Coughlin, 30%) in the form of restricted stock units, in each case, subject to three-year ratable vesting and other terms and conditions as provided in the applicable grant agreements. These equity grants are in addition to Mr. Coughlin’s EBITDA-based grant and Mr. Nuzzo’s EBITDA-based and retention grants described in further detail under “Executive Compensation Tables—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table—Employment Agreements” below.

Other Benefits and Perquisites

Health and Welfare Benefits

Our NEOs are eligible to participate in the health and welfare plans on the same terms offered to all of our salaried employees, with the exception of life insurance and disability coverage—which is provided at enhanced levels for all employees who serve as Vice Presidents or above.

Retirement Benefits

We have not maintained, and do not currently maintain, a defined benefit pension plan in which our NEOs participate. All of our NEOs are eligible to participate in our 401(k) plan (a tax-qualified defined contribution plan), which is a broad-based retirement plan in which generally all of our employees can participate. Under the 401(k) plan, we make discretionary matching contributions which, for our NEOs, is 100% of the first 1% of an employee's contributions and 50% on the next 2% of base salary deferred, subject to certain limits under the Code (as defined herein), and employees vest ratably in matching contributions over a period of three years of service.

All of our NEOs are also eligible to participate in our nonqualified deferred compensation plan (a non-tax-qualified retirement plan), which provides eligible employees with an opportunity to defer a portion of their annual base salary and bonus. Under the nonqualified deferred compensation plan, we make a discretionary matching contribution of 50% of an eligible employee's contributions on the first 3% of base salary deferred (or, if the eligible employee is not yet eligible to participate in our 401(k) plan, the first 6% of base salary deferred) and on the first 6% of annual bonus deferred. The nonqualified deferred compensation plan is described further under "—Nonqualified Deferred Compensation" below.

We believe that our retirement programs serve as an important tool to attract and retain our NEOs and other key employees. We also believe that offering the ability to create stable retirement benefits encourages our NEOs and other key employees to make a long-term commitment to us.

Severance Benefits under Employment Agreements

We have entered into employment agreements with each of our NEOs, which are described in more detail under "—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table" and "—Potential Payments Upon Termination or Change in Control—Employment Agreements" below. The employment agreements provide our NEOs with severance protection, which is designed to be fair and competitive in order to aid in attracting and retaining experience executives.

Perquisites

During Fiscal 2019 we provided our NEOs with limited, low cost perquisites, including financial counseling services and wellness exams. We provide these limited perquisites to ensure our compensation program, as a whole, remains competitive with companies for which we compete for talent. During Fiscal 2019, Mr. Coughlin also incurred expenses related to his family members accompanying him on business travel on a leased aircraft paid for by Petco. Mr. Coughlin was assessed imputed income related to the trip based on the length of the trip at the standard industry fare level and the terminal charge.

In connection with their hiring, Mr. MacDonald, Ms. Bonfilio, and Ms. Wilkin each received relocation assistance pursuant to our relocation package provided to all director-level and above employees who must relocate in connection with their hiring. The relocation package generally covers the following: (i) travel associated with finding a home, temporary living, or a final move, (ii) interim living expenses through corporate housing (which for Ms. Wilkin, was substituted with a single payment of $25,000 in lieu of directly provided corporate housing), (iii) expenses associated with the sale and/or purchase of a home, (iv) shipment and/or storage of household goods, (v) associated miscellaneous expenses up to a specified cap (generally $3,000, but for Ms. Bonfilio, $19,500), and (vi) certain tax gross-ups to assist with the tax impact of the program. These relocation benefits are subject to scaled repayment in the event the NEO voluntarily resigns or is terminated by us for cause within the 24-month period following the final reimbursement or payment provided under the program.

Other Matters

Tax and Accounting Implications of Executive Compensation Decisions

While there are currently no formal policies in place, as a result of this offering, the Compensation Committee expects to review and consider formal corporate governance policies regarding stock ownership and retention, anti-hedging, anti-pledging, and claw-backs.

Historically, as we have not been publicly traded, we have not previously taken the deductibility limit imposed by Section 162(m) of the Code into consideration in making compensation decisions. However, we expect that following the consummation of this offering, we may authorize compensation payments that exceed the deductibility limitation under Section 162(m) of the Code when we believe that such payments are appropriate to attract and retain executive talent. In addition, assuming Treasury Regulations that were proposed in 2019 take effect, amounts in excess of the $1 million threshold paid pursuant to our existing employment agreements and other arrangements may be nondeductible.

We account for the B Units and C Units granted to our NEOs in accordance with the Financial Accounting Standards Board Accounting Standards Codification Topic 718 (“FASB ASC Topic 718”), which requires us to estimate the expense of an award over the vesting period applicable to such award.

Risk Assessment

The Compensation Committee does not believe that our executive and non-executive compensation programs encourage excessive or unnecessary risk taking, and any risk inherent in our compensation programs is unlikely to have a material adverse effect on us.

Stock Ownership Guidelines

In connection with the consummation of this offering, we expect to adopt stock ownership guidelines applicable to our NEOs, other officers and members of our board of directors to create alignment between our officers and directors and our long-term performance, as well as to minimize excess risk taking that might lead to short-term returns at the expense of long-term value creation. We expect for the ownership guidelines to be established at the following levels:

Title	Ownership Level
Chief Executive Officer	5x annual base salary
Chief Financial Officer	3x annual base salary
Other NEOs and Officers	2x annual base salary
Independent Directors	5x annual cash retainer

It is expected that the requisite ownership level must be achieved within the later of (i) five years following the consummation of this offering or (ii) five years following the officer or director becoming subject to the stock ownership guidelines. In determining ownership levels, we expect to include shares of our Class A common stock owned outright by the officer or director, unvested time-based restricted shares and restricted stock units, vested in-the-money stock options, and shares of our common stock owned by the officer or director through our retirement plan and the ESPP. We do not expect to include unvested in-the-money stock options, stock options that are not in-the-money, or unearned performance-based equity in determining ownership levels.

Executive Compensation Tables

Summary Compensation Table

The table below sets forth the compensation earned by our NEOs during Fiscal 2019.

Name and Principal Position	Year	Salary ($)	Bonus ($)(4)	Stock Awards ($)(5)	All Other Compensation ($)(6)	Total ($)
Ronald Coughlin, Jr. Chief Executive Officer	2019	$ 850,000	$ 1,158,125	$ 7,578,000	$ 44,527	$ 9,630,652
Michael Nuzzo(1) EVP, Chief Financial Officer and Chief Operating Officer	2019	$ 650,000	$ 1,146,000	—	$ 30,271	$ 1,826,271
Darren MacDonald(2) Chief Digital & Innovation Officer	2019	$ 349,039	$ 512,000	$ 1,948,000	$ 267,677	$ 3,076,716
Justin Tichy Chief Pet Care Center Officer	2019	$ 480,000	$ 414,400	$ 894,250	$ 5,292	$ 1,793,942
Michelle Bonfilio Chief Human Resources Officer	2019	$ 456,000	$ 387,280	$ 383,250	$ 194,396	$ 1,420,926
Laura Wilkin(3) Former EVP and Chief Supply Chain Officer	2019	$ 307,019	—	$ 766,500	$ 2,536,002	$ 3,609,521

(1) Mr. Nuzzo is, and throughout Fiscal 2019 was, our acting principal financial officer.

(2) Mr. MacDonald was appointed as Chief Digital & Innovation Officer on June 10, 2019.

(3) Ms. Wilkin's employment with us ended on August 30, 2019, and in connection with her separation, we entered into a separation agreement (the "Wilkin Separation Agreement").

(4) Amounts in this column include: (i) under the terms of his 2018 Special Retention Bonus Agreement, Mr. Nuzzo received a $500,000 bonus payment for his continued employment with us through September 30, 2019. Mr. Nuzzo's 2018 Special Retention Bonus Agreement is described in more detail under "—Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table—Employment Agreements—Michael Nuzzo" below, (ii) under the terms of his employment agreement, Mr. Tichy was paid a $12,000 installment of his sign-on bonus, and (iii) each NEO, other than Ms. Wilkin, received an annual cash incentive award under the Bonus Plan for Fiscal 2019, as described in more detail under "—Compensation Discussion and Analysis—Elements of Compensation—Annual Cash Incentive Program" above, which were paid in early 2020.

(5) Amounts in this column represent the aggregate grant date fair value of the B Units and C Units granted during Fiscal 2019, calculated in accordance with FASB ASC Topic 718. For additional information regarding the assumptions underlying this calculation please read Note 13 to our consolidated financial statements for the fiscal year ended February 1, 2020.

(6) Amounts reported in the "All Other Compensation" column include (i) matching contributions under our 401(k) plan made during Fiscal 2019, (ii) matching contributions under our nonqualified deferred compensation plan made during Fiscal 2019, (iii) reimbursement of relocation expenses, (iv) severance payments and benefits under the Wilkin Separation Agreement, (v) life insurance premiums paid by us for the benefit of the NEOs, (vi) income imputed for his family members accompanying him on business travel on a Petco-leased aircraft, and (vii) additional amounts, each as set forth in the following table.

Name	Petco 401(k) Match ($)	Petco NQDC Match ($)	Relocation Expenses ($)	Severance ($)	Life Insurance Premiums ($)	Aircraft ($)	Additional Amounts ($)(2)	All Other Compensation Total ($)
Ronald Coughlin, Jr.	$ 1,079	$26,042	—	—	$ 2,622	$3,252	$ 11,532	$ 44,527
Michael Nuzzo	$ 5,600	—	—	—	$ 1,710	—	$ 22,961	$ 30,271
Darren MacDonald	—	$ 3,490	$264,187	—	—	—	—	$ 267,677
Justin Tichy	—	—	—	—	$ 1,710	—	$ 3,582	$ 5,292
Michelle Bonfilio	$ 6,652	—	$181,952	—	$ 1,710	—	$ 4,082	$ 194,396
Laura Wilkin(1)	—	—	$ 7,197	$2,522,000	$ 2,828	—	$ 3,977	$ 2,536,002

(1) Under the terms of Ms. Wilkin's separation agreement, she received a lump sum payment of $515,000, equal to 12-months of her base salary at the time of her separation and a lump-sum payment of $7,000, the cost equivalent to Petco's outplacement service package. In addition, pursuant to a Special Retention Bonus Agreement entered into in 2018, Ms. Wilkin was paid a Special Bonus of $2,000,000 upon her termination and execution of a release of all claims against Petco.

(2) Additional amounts represent expenses incurred under the Petco's Financial Counseling and Executive Wellness benefits.

2019 Grants of Plan-Based Awards Table

The following table includes information regarding annual cash incentive awards under the Bonus Plan and B Units and C Units granted to the NEOs, in each case, during Fiscal 2019.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1) Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units(#)(2)	Grant Date Fair Value of Stock and Option Awards ($)(3)
Ronald Coughlin, Jr.						
Annual Cash Incentive		$ 265,625	$ 1,062,500	$ 2,125,000		
C Units	6/3/2019				30,000,000	$ 7,578,000
Michael Nuzzo						
Annual Cash Incentive		$ 130,000	$ 520,000	$ 1,040,000		
Darren MacDonald						
Annual Cash Incentive		$ 440,000	$ 440,000	$ 880,000		
B Units	7/1/2019				1,400,000	$ 686,000
C Units	7/1/2019				5,000,000	$ 1,262,000
Justin Tichy						
Annual Cash Incentive		$ 72,000	$ 288,000	$ 576,000		
C Units	4/1/2019				3,500,000	$ 894,250
Michelle Bonfilio						
Annual Cash Incentive		$ 68,400	$ 273,600	$ 547,200		
C Units	4/1/2019				1,500,000	$ 383,250
Laura Wilkin						
Annual Cash Incentive		$ 103,000	$ 412,000	$ 824,000		
C Units	5/1/2019				3,000,000	$ 766,500

(1) Amounts in these columns represent the threshold, target, and maximum payments for annual cash incentive awards under the Bonus Plan for Fiscal 2019. Threshold amounts represent a payment if the lowest performance level is achieved under all metrics associated with the Bonus Plan. As per the terms of his employment agreement, Mr. MacDonald was eligible for a guaranteed annual incentive payment of no less than $440,000 for the Fiscal Year. For additional information regarding the Bonus Plan and the amounts paid thereunder, please read "—Compensation Discussion and Analysis—Elements of Compensation—Annual Cash Incentive Program" above.

(2) Amounts in this column represent B Units granted to Mr. MacDonald and C Units granted to each NEO (other than Mr. Nuzzo) during Fiscal 2019. The B Units granted to Mr. MacDonald were fully vested at grant. C Units vest in equal annual increments over five years following the date of grant, subject to full acceleration upon the consummation of a change in control and partial acceleration in connection with certain other events. All C Unit grants in Fiscal 2019 were granted with a Distribution Threshold of $0.50 per unit pursuant to an outside valuation. Ms. Wilkin's C Units were forfeited upon her termination of employment.

(3) Amounts in this column represent the aggregate grant date fair value of the B Units and C Units granted during Fiscal 2019, calculated in accordance with FASB ASC Topic 718. For additional

information regarding the assumptions underlying this calculation please read Note 13 to our consolidated financial statements for the fiscal year ended February 1, 2020. Please read "—Compensation Discussion and Analysis—Elements of Compensation—Long-Term Equity Incentive Compensation" above for more information regarding these grants.

Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

Employment Agreements

Ronald Coughlin, Jr.

In connection with Mr. Coughlin's commencement of employment as our chief executive officer on June 4, 2018, we entered into an employment agreement with Mr. Coughlin, which was amended and restated effective upon the consummation of this offering. Pursuant to Mr. Coughlin's employment agreement, he is entitled to receive a base salary of no less than $850,000 (which will be increased to $1,100,000 in connection with the amendment and restatement), an annual bonus targeted at 125% of his base salary subject to the achievement of board-approved performance goals, a stock replacement payment in connection with his engagement of $8,000,000 (one-third of which remains subject to repayment upon a voluntary termination or termination by us for cause prior to June 4, 2021), and other customary terms and conditions. In addition, the agreement provides that Mr. Coughlin will receive a one-time "special performance bonus" of $5,000,000 if our earnings before interest, taxes, depreciation, and amortization ("EBITDA"), as adjusted by our board of directors, exceeds $500 million for any two consecutive fiscal years; provided, however, that upon the consummation of this offering (so long as such consummation occurs no later than 30 days following the end of Fiscal 2020), in accordance with the terms of his amended and restated employment agreement (i) this cash bonus will be replaced by a one-time grant of restricted stock units with an aggregate value of $5,000,000 and (ii) vesting will be based on achievement of EBITDA in excess of $500 million for Fiscal 2021, subject to Mr. Coughlin's continued employment through Fiscal 2021. Mr. Coughlin is eligible for certain payments upon certain terminations of employment, as described under "—Potential Payments Upon Termination or Change in Control—Employment Agreements—Ronald Coughlin, Jr." below.

Mr. Coughlin's agreement (and his amended and restated agreement) also subjects him to covenants regarding non-solicitation of our employees and our customers, vendors, distributors, and strategic partners while Mr. Coughlin is employed by us and for one year thereafter. Mr. Coughlin is also a party to our standard Employee Proprietary Information and Inventions Agreement which, among other things, provides us standard protections regarding the confidentiality of our proprietary information and our ownership of intellectual property.

Michael Nuzzo

Mr. Nuzzo is party to an employment agreement with us dated April 8, 2015, as amended January 26, 2016. Pursuant to Mr. Nuzzo's employment agreement, he was entitled to receive an initial base salary of $575,000, an annual bonus targeted at 80% of his base salary subject to the achievement of performance goals, and other customary terms and conditions. Mr. Nuzzo is eligible for certain payments upon certain terminations of employment, as described under "—Potential Payments Upon Termination or Change in Control—Employment Agreements—Michael Nuzzo" below. The agreement subjects Mr. Nuzzo to covenants regarding non-solicitation of our employees and our customers, vendors, distributors, and strategic partners while Mr. Nuzzo is employed by us and for one year thereafter. Mr. Nuzzo is also a party to our standard Employee Proprietary Information and Inventions Agreement which, among other things, provides us standard protections regarding the confidentiality of our proprietary information and our ownership of intellectual property.

Mr. Nuzzo is also party to a special retention bonus agreement, dated August 31, 2018, which was amended and restated effective October 8, 2020 and further amended and restated effective December 3, 2020, that provides the opportunity for potential bonuses and awards, as described below.

- Cash retention bonuses totaling $1,500,000, of which $500,000 was paid in October 2019 and $1,000,000 will be paid if Mr. Nuzzo remains employed by us through March 31, 2021.
- One-time "special performance bonus" of $2,000,000 if our EBITDA, as adjusted by our board of directors, exceeds $500 million for any two consecutive fiscal years, subject to his continued employment through the last day of the second such fiscal year; provided, however, that upon the consummation of this offering (so long as such consummation occurs no later than 30 days following the end of Fiscal 2020), (i) this cash bonus will be replaced by a one-time grant of restricted stock units with an aggregate value of $2,000,000 and (ii) vesting will be based on achievement of EBITDA in excess of $500 million for Fiscal 2021, subject to Mr. Nuzzo's continued employment through Fiscal 2021.
- One-time grant of 3,000,000 C Units granted in September 2020 (described above under "Compensation Discussion and Analysis—Elements of Compensation—Long-Term Equity Incentive Compensation—Fiscal Year 2020 Long-Term Equity Incentive Compensation Actions"). To better align Mr. Nuzzo with the interests of current equity holders, this grant utilizes a special higher Distribution Threshold of $1.00 per unit. The award recognizes the unique role that Mr. Nuzzo plays with respect to generating future value and provides a heightened threshold for his attainment of reward associated with any future value generated by Petco.
- One-time restricted stock unit award with an aggregate value of $3,000,000 to be made in conjunction with an initial public offering (including this offering). The award will time vest equally over three years following the date the award is issued, with 34% vesting on the first anniversary of such date and 33% vesting on each of the second and third anniversaries of such date. This award will not be issued if we do not complete an initial public offering prior to September 30, 2021.

Mr. Nuzzo's special retention bonus agreement prior to its amendment and restatement also provided for two additional bonus opportunities which, under their terms, would have no longer be eligible to be earned upon consummation of this offering. Under the amended and restated special retention bonus agreement, the C Unit grant and restricted stock unit awards described above replaced these two additional bonus opportunities.

Mr. Nuzzo is eligible for certain payments upon certain terminations of employment and change in control events under the Nuzzo Employment Agreement and the special retention bonus agreement, as described under "—Potential Payments Upon Termination or Change in Control—Employment Agreements—Michael Nuzzo" below.

Darren MacDonald

In connection with his appointment, we entered into an employment agreement with Mr. MacDonald on May 25, 2019, pursuant to which Mr. MacDonald is entitled to receive a base salary of $550,000, annual bonus targeted at 80% of his base salary subject to achievement of performance goals (with a guaranteed bonus amount of at least $440,000 for Fiscal 2019), relocation assistance, and other customary terms and conditions. Pursuant to Mr. MacDonald's employment agreement, Mr. MacDonald was paid a retention bonus of $675,000 in February 2020 (one-half of which is subject to repayment upon voluntary termination or a termination by us for cause prior to June 18, 2021). In addition, Mr. MacDonald will be entitled to a "digital growth award" based on revenues and EBITDA of our digital platform ("Digital EBITDA") for each fiscal year through the fiscal year ending January 29, 2022, and Digital EBITDA is defined to mean (i) sales on our digital platform, less (ii) cost of goods sold attributable to such sales, less (iii) direct marketing spending on the digital platform, less (iv) any other direct expenses related to the digital platform, and subject to adjustment by our board in specified circumstances. The amount of the bonus will be determined as follows:

Digital Revenue	Minimum Digital EBITDA	Amount of Digital Growth Award
Less than $538 million	N/A	$0
At least $538 million but less than $591 million	$38 million	$500,000
At least $591 million but less than $619 million	$43 million	$1,076,000
At least $619 million but less than $645 million	$46 million	$2,420,000
$645 million or more	$48 million	$4,302,000

If digital revenue is in a range above the corresponding Digital EBITDA range but the minimum Digital EBITDA goal is not met, then the award will be the amount in the immediately-preceding row (e.g., if digital revenue were $600 million but Digital EBITDA were less than $43 million, the award would be $500,000). Any earned bonus will be paid following a change in control, an initial public offering, a secondary public offering, or a cash dividend to our stockholders, subject to specified caps. Except as described under "—Potential Payments Upon Termination or Change in Control—Employment Agreements—Darren MacDonald" below, Mr. MacDonald must remain employed by us through the payment date in order to receive payment of any earned award. The digital growth award, if earned, will be settled one-half in cash and one-half in fully vested B Units.

Mr. MacDonald is eligible for certain payments upon certain terminations of employment, as described under "—Potential Payments Upon Termination or Change in Control—Employment Agreements—Darren MacDonald" below. The agreement also subjects Mr. MacDonald to covenants regarding non-solicitation of our employees and our customers, vendors, distributors, and strategic partners while Mr. MacDonald is employed by us and for one year thereafter. Mr. MacDonald is also a party to our standard Employee Proprietary Information and Inventions Agreement which, among other things, provides us standard protections regarding the confidentiality of our proprietary information and our ownership of intellectual property.

Justin Tichy

In connection with his appointment, we entered into an employment letter agreement with Mr. Tichy on September 17, 2018, pursuant to which Mr. Tichy was entitled to an initial base salary of $480,000, an annual bonus targeted at 60% of his base salary subject to achievement of performance goals (with a guaranteed bonus amount of at least $288,000 for Fiscal 2019), an initial signing bonus of $200,000, and other customary terms and conditions. Pursuant to the agreement, Mr. Tichy will receive a cash retention bonus of $500,000 if he remains employed by us in good standing through March 31, 2021 and a change in control event does not occur prior to such date. Additionally, Mr. Tichy is eligible for a bonus of $36,000, $24,000 of which has previously been paid, with the remaining $12,000 installment to be paid if Mr. Tichy remains employed by us through October 15, 2020.

Mr. Tichy is eligible for certain payments upon certain terminations of employment, as described under "—Potential Payments Upon Termination or Change in Control—Employment Agreements—Justin Tichy" below. Mr. Tichy is also a party to our standard Employee Proprietary Information and Inventions Agreement which, among other things, provides us standard protections regarding the confidentiality of our proprietary information and our ownership of intellectual property.

Michelle Bonfilio

In connection with her appointment, we entered into an employment letter agreement with Ms. Bonfilio on October 3, 2018, pursuant to which Ms. Bonfilio was entitled to an initial base salary of $456,000, an annual bonus targeted at 60% of her base salary subject to achievement of performance goals, relocation assistance through May 31, 2019, and other customary terms and conditions.

Pursuant to the agreement, Ms. Bonfilio will receive a cash retention bonus of $250,000 if she remains employed by us in good standing through March 31, 2021 and a change in control event does not occur prior to such date.

We also have entered into a retention bonus agreement with Ms. Bonfilio that provides specified cash retention bonuses to Ms. Bonfilio. Pursuant to her retention agreement, Ms. Bonfilio will be eligible to receive the following retention bonuses, in addition to the cash retention bonus under her employment agreement: $100,000 on the first pay period following March 31, 2021, and $400,000 on the first pay period following February 1, 2022. The payment of each installment generally is subject to Ms. Bonfilio's continued employment through the specified date. However, if her employment is terminated by us without "cause" or due to her death or disability, she will receive any unpaid installments of the retention bonuses when otherwise due. In addition, if Ms. Bonfilio's employment is terminated by us for "cause" prior to February 1, 2022, she must repay the first installment of the retention bonus.

Ms. Bonfilio is eligible for certain payments upon certain terminations of employment, as described under "—Potential Payments Upon Termination or Change in Control—Employment Agreements—Michelle Bonfilio" below. Ms. Bonfilio is also a party to our standard Employee Proprietary Information and Inventions Agreement which, among other things, provides us standard protections regarding the confidentiality of our proprietary information and our ownership of intellectual property.

Laura Wilkin

Prior to her separation, we were party to an employment letter agreement with Ms. Wilkin dated May 2, 2018, pursuant to which Ms. Wilkin was entitled to an initial base salary of $515,000, an annual bonus targeted at 80% of her base salary subject to achievement of performance goals, relocation assistance, a retention bonus of $2,000,000 payable 48 months following commencement of her employment, and other customary terms and conditions.

Outstanding Equity Awards at 2019 Fiscal Year-End

The following table reflects information regarding outstanding unvested C Units held by our NEOs as of February 1, 2020.

	Stock Awards	
Name	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(1)
Ronald Coughlin, Jr.(2)	66,000,000	$ 0
Michael Nuzzo(3)	4,580,557	$ 0
Darren MacDonald(4)	5,000,000	$ 0
Justin Tichy(5)	5,600,000	$ 0
Michelle Bonfilio(6)	2,400,000	$ 0
Laura Wilkin	—	—

(1) The C Units are intended to qualify as "profits interests" for U.S. tax purposes. They do not require the payment of an exercise price, but are economically similar to stock appreciation rights because they have no value for tax purposes as of the grant date and will obtain value only as the value of the underlying value of the security rises above its grant date value (referred to as the "distribution threshold"). Because, in each case, the unvested C Units would have had no value upon a liquidation as of February 1, 2020, we believe that, like stock appreciation rights, they are properly reported as having $0 value as of that date.

(2) Mr. Coughlin's unvested C Units were granted with the following distribution thresholds and have vested or will vest ratably on the following vesting dates subject to his continued employment with us through each vesting date:

Number of C Units	Distribution Threshold	Vesting Dates
12,000,000	$1.00	June 4, 2020, June 4, 2021, June 4, 2022, and June 4, 2023
24,000,000	$0.75	June 4, 2020, June 4, 2021, June 4, 2022, and June 4, 2023
30,000,000	$0.50	April 1, 2020, April 1, 2021, April 1, 2022, April 1, 2023, and April 1, 2024

(3) Mr. Nuzzo's unvested C Units were granted with the following distribution thresholds and have vested or will vest ratably on the following vesting dates subject to his continued employment with us through each vesting date:

Number of C Units	Distribution Threshold	Vesting Dates
1,000,000	$0.75	January 26, 2021
290,279	$0.75	May 4, 2020
3,000,000	$0.50	January 26, 2021, January 26, 2022, and January 26, 2023
290,279	$0.50	May 4, 2020

(4) Mr. MacDonald's unvested C Units were granted with a distribution threshold of $0.50 and vest ratably on July 1, 2020, July 1, 2021, July 1, 2022, July 1, 2023, and July 1, 2024, in each case, subject to his continued employment with us through each vesting date.

(5) Mr. Tichy's unvested C Units were granted with the following distribution thresholds and have vested or will vest ratably on the following vesting dates subject to his continued employment with us through each vesting date:

Number of C Units	Distribution Threshold	Vesting Dates
2,800,000	$0.75	January 2, 2021, January 2, 2022, January 2, 2023, and January 2, 2024
2,800,000	$0.50	January 2, 2021, January 2, 2022, January 2, 2023, and January 2, 2024

(6) Ms. Bonfilio's unvested C Units were granted with the following distribution thresholds and have vested or will vest ratably on the following vesting dates subject to his continued employment with us through each vesting date:

Number of C Units	Distribution Threshold	Vesting Dates
1,200,000	$0.75	January 2, 2021, January 2, 2022, January 2, 2023, and January 2, 2024
1,200,000	$0.50	January 2, 2021, January 2, 2022, January 2, 2023, and January 2, 2024

Option Exercises and Stock Vested

The following table reflects the B Units and C Units held by our NEOs which vested during Fiscal 2019.

	Stock Awards	
Name	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)(1)
Ronald Coughlin, Jr.	9,000,000	$ 0
Michael Nuzzo	7,741,671	$ 0
Darren MacDonald(2)	1,400,000	$ 686,000
Justin Tichy	1,400,000	$ 0
Michelle Bonfilio	600,000	$ 0
Laura Wilkin	—	—

(1) As described above under "—Outstanding Equity Awards at 2019 Fiscal Year End, we believe that the C Units that vested during Fiscal 2019 are similar to stock appreciation rights and have $0 value as of February 1, 2020 because they would not have received any payments upon a liquidation as of that date.

(2) Per the terms of his employment agreement, Mr. MacDonald was awarded 1,400,000 fully-vested B Unit shares, each with a unit-value of $0.49 at the end of Fiscal 2019.

Nonqualified Deferred Compensation

The following table sets forth information regarding the value of accumulated benefits of our NEOs under our nonqualified deferred compensation arrangements as of February 1, 2020.

Name	Executive Contributions in Last FY ($)	Registrant Contributions in Last FY ($)	Aggregate Earnings in Last FY ($)	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at Last FYE ($)(1)
Ronald Coughlin, Jr.	$ 1,066,587	$ 26,042	$ 184,289	—	$ 1,595,773
Michael Nuzzo	—	—	—	—	—
Darren MacDonald	$ 8,250	$ 3,490	$ 416	—	$ 8,666
Justin Tichy	—	—	—	—	—
Michelle Bonfilio	—	—	—	—	—
Laura Wilkin	—	—	—	—	—

(1) Amounts include our matching contributions applicable to Fiscal 2019 employee deferrals as reported under "—Summary Compensation Table" above.

Mr. Coughlin and Mr. MacDonald have elected to participate in our nonqualified deferred compensation plan, which is an unfunded plan that is available to executives and certain key employees and directors of Petco. Under the plan and pursuant to the terms of their employment agreements, as applicable, participants are permitted to defer a portion of their annual base salary and bonus. We make a matching contribution of 50% of an eligible employee's contributions on the first 3% of base salary deferred (or, if the eligible employee is not yet eligible to participate in our 401(k) plan, the first 6% of base salary deferred) and on the first 6% of annual bonus deferred . Participants are 100% vested in matching contributions. Participants may select among a broad range of investment alternatives under this plan, and participants' accounts are credited with a rate of return based on the performance of the selected investments. Petco does not provide above-market or preferential earnings on deferred compensation. If a participant separates from service on or after reaching age 55 and attaining six years of service, the participant's account may be paid in a single lump sum or in annual installments from two to ten years (at the participant's election). If a participant separates from service without meeting the age and service requirements set forth above, or as a result of his or her death or disability, the participant (or his or her beneficiaries, as applicable) will receive his or her account balance in the form of a lump sum. We have established a rabbi trust to assist in meeting a portion of our obligations under the plan. To the extent required to comply with Section 409A of the Code, payment upon termination of employment is subject to a six-month delay.

Potential Payments Upon Termination or Change in Control

Employment Agreements

Ronald Coughlin, Jr.

Mr. Coughlin's employment agreement provides severance benefits to Mr. Coughlin in the event he is terminated without "Cause" or he resigns for "Good Reason," in each case, subject to his execution of a release of claims. The severance benefits include: (i) a lump sum payment equal to 18 months of his base salary; (ii) payment of any unpaid annual bonus from a prior fiscal year; (iii) a pro rata annual bonus for the year of termination based on actual achievement of applicable performance goals; (iv) if the special performance bonus was not previously paid, the $500 million EBITDA goal was achieved for the prior year, and the EBITDA goal ultimately is achieved for the year of termination, a pro rata special performance bonus; (v) pro rata vesting of the portion of any unvested outstanding C Units or other equity awards that would have vested on the next-scheduled vesting date; and (vi) Petco-paid continued health insurance benefits under COBRA for up to 18 months following Mr. Coughlin's termination.

For purposes of Mr. Coughlin's employment agreement:

- "Cause" includes (i) Mr. Coughlin's material breach of his employment agreement; (ii) the willful failure or refusal by him to substantially perform his duties; (iii) the conviction of Mr. Coughlin of, or the entering of a plea of nolo contendere by him with respect to, a felony or a misdemeanor involving moral turpitude; and (iv) Mr. Coughlin's inability or failure to competently perform his duties in any material respect due to the use of drugs or alcohol, subject to, in the cases of clauses (i) and (ii), customary notice and cure provisions.
- "Good Reason" means (i) the removal of Mr. Coughlin from our board of directors for any reason while he is employed by us; (ii) a material diminution in his authority, duties or responsibilities; (iii) a requirement that he report to any person or body other than our board of directors; (iv) a material diminution in his base salary or target bonus amount; (v) the relocation of his office to a location more than 30 miles from its present location; (vi) our failure to obtain the assumption in writing of its obligation to perform the employment agreement by any successor to all or substantially all of our assets, whether direct or indirect by a merger, consolidation, sale or similar transaction, unless such assumption occurs by operation of law; (vii) any bankruptcy, liquidation, receivership or other wind down of us or Scooby LP if (A) such event does not constitute a change in control (as defined in the Scooby LP limited partnership agreement) or (B) in connection with such event, (x) CVC Fund's affiliates and/or CPP Investments' affiliates do not retain the right to appoint the majority of the members of our board of directors and (y) a majority of our board of directors ceases to consist of members appointed by CVC Fund's affiliates and/or CPP Investments' affiliates; or (viii) any other action or inaction that constitutes a material breach by us of his employment agreement. If Mr. Coughlin intends to resign for one or more of the conditions listed above, he must give notice to us within 90 days after the initial existence of such condition, which we have 30 days to remedy following receipt of such notice. If we fail to cure, then any resignation by Mr. Coughlin within the 2-year period beginning with the initial existence of one or more of the foregoing conditions shall be deemed a resignation for "Good Reason."

Upon the consummation of this offering, Mr. Coughlin's amended and restated employment agreement will provide severance benefits to Mr. Coughlin in the event he is terminated without "Cause" or he resigns for "Good Reason," in each case, subject to his execution of a release of claims. If such termination occurs more than three months prior to or more than 18 months following a "Change in Control", in addition to the severance benefits under the current employment agreement as described above (excluding the pro rata vesting of the C Units and any other equity awards provided in clause (v) above), Mr. Coughlin will also receive: (i) if the restricted stock units granted in lieu of the special performance bonus have been granted but not yet vested and the EBITDA goal for Fiscal 2021 is ultimately achieved, pro rata vesting of such restricted stock units; (ii) acceleration of the time-based equity awards (excluding C Units and special restricted stock units) that would have vested during the 12 months following such termination; and (iii) acceleration of the performance-based equity awards (excluding C Units and special restricted stock units) for which the performance period ends during the 12 months following such termination, so long as such performance-based goals are actually achieved.

Additionally, in the event such termination without Cause or resignation for Good Reason occurs within the three months prior to or the 18 months following a Change in Control, Mr. Coughlin will be eligible for the following severance benefits in lieu of the severance benefits described above: (i) a lump sum payment equal to two times the sum of his base salary and target annual bonus; (ii) payment of any unpaid annual bonus from a prior fiscal year; (iii) a pro rata annual bonus for the year of termination based on actual achievement of applicable performance goals; (iv) if the special performance bonus was not previously paid, the $500 million EBITDA goal was achieved for the prior year, and the EBITDA goal ultimately is achieved for the year of termination, the special performance bonus; (v) if the restricted stock units granted in lieu of the special performance bonus have been granted but not yet vested and the EBITDA goal for Fiscal 2021 is ultimately achieved, accelerated vesting of such restricted stock units; (vi) accelerated vesting of time-based equity awards (excluding C Units and special restricted stock units); (vii) all outstanding performance-based equity awards (excluding C Units) will remain outstanding and eligible to become earned based on achievement of the performance-based goals as if Mr. Coughlin had remained employed; and (viii) Petco-paid continued health insurance benefits under COBRA for up to 18 months following such termination.

Mr. Coughlin's amended and restated employment agreement also provides for the following accelerated vesting benefits upon a termination of his employment as a result of death or "Disability": (i) accelerated vesting of time-based equity awards (excluding C Units and special restricted stock units); (ii) all outstanding performance-based equity awards (excluding C Units and special restricted stock units) will remain outstanding an eligible to become earned based on achievement of the performance-based goals as if Mr. Coughlin had remained employed; and (iii) if the restricted stock units granted in lieu of the special performance bonus have been granted but not yet vested and the EBITDA goal for Fiscal 2021 is ultimately achieved, accelerated vesting of such restricted stock units.

Upon a Change in Control, if the benefits under Mr. Coughlin's amended and restated employment agreement would trigger an excise tax under Section 4999 of the Code, the amended and restated employment agreement provides that Mr. Coughlin's benefits will be reduced to a level at which the excise tax is not triggered, unless Mr. Coughlin would receive a greater amount without such reduction after taking into account the excise tax and other applicable taxes.

For purposes of Mr. Coughlin's employment agreement:

- "Cause" has the same meaning as provided under the current employment agreement but also includes Mr. Coughlin's material breach of any policy or code of conduct of Petco, subject to customary notice and cure provisions.
- "Change in Control" has the meaning provided under the 2021 Plan.
- "Disability" means that Mr. Coughlin is either (i) unable to engage in substantially gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than 12 months or (ii) is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months Petco's accident and health plan.
- "Good Reason" means (i) the removal of Mr. Coughlin from our board of directors; (ii) a material diminution in his authority, duties or responsibilities; (iii) a requirement that he report to any person or body other than our board of directors; (iv) a material diminution in his base salary or target bonus amount; (v) the relocation of his office by more than 30 miles; (vi) our failure to obtain the assumption in writing of its obligation to perform the amended and restated employment agreement by any successor to all or substantially all of our assets, whether direct or indirect by a merger, consolidation, sale or similar transaction, unless such assumption occurs by operation of law; or (vii) any other action or inaction that constitutes a material breach by us of his amended and restated employment agreement. If Mr. Coughlin intends to resign for one or more of the conditions listed above, he must give notice to us within 90 days after the initial existence of such condition, which we have 30 days to remedy following receipt of such notice. If we fail to cure, then any resignation by Mr. Coughlin within the 180-day period beginning with the initial existence of one or more of the foregoing conditions shall be deemed a resignation for "Good Reason."

Michael Nuzzo

Mr. Nuzzo's employment agreement provides severance benefits to Mr. Nuzzo in the event he is terminated without "Cause" or he resigns for "Good Reason," in each case, subject to his execution of a release of claims. The severance benefits include: (i) a lump sum payment equal to 18 months of base salary, and (ii) if the termination is without "Cause" and occurs within 12 months following a change in control, a pro rata bonus for the year of termination, based on actual performance immediately prior to such termination, but in no event greater than the target bonus.

For purposes of Mr. Nuzzo's employment agreement:

- "Cause" includes (i) Mr. Nuzzo's material breach of his employment agreement; (ii) the failure or refusal by Mr. Nuzzo to perform his duties; (iii) the conviction of Mr. Nuzzo of, or the entering of a plea of nolo contendere by him with respect to, a felony; (iv) Mr. Nuzzo's violation of our code of ethics or policies against discrimination or harassment; or (v) Mr. Nuzzo's inability or failure to competently perform his duties in any material respect due to the use of drugs or alcohol, in the cases of clauses (i) and (ii), subject to customary notice and cure provisions.
- "Good Reason" means (i) a material diminution in Mr. Nuzzo's authority, duties or responsibilities; (ii) a material diminution in the authority, duties or responsibilities or the person to whom Mr. Nuzzo reports; (iii) a material diminution in Mr. Nuzzo's base compensation; (iv) a material diminution of the budget over which Mr. Nuzzo has authority; (v) the relocation of his office to a location more than 50 miles from its present location other than a relocation to our San Antonio Support Center; (vi) our failure to obtain the assumption in writing of its obligation to perform the employment agreement by any successor to all or substantially all of our assets; or (vii) any other action or inaction that constitutes a material breach by us of Mr. Nuzzo's employment agreement. If Mr. Nuzzo intends to resign for one or more of the conditions listed above, he must give notice of such intent to us within 90 days after the initial existence of such condition, which we have 30 days to remedy following receipt of such notice. If we fail to cure, then any resignation by Mr. Nuzzo within the 2-year period beginning with the initial existence of one or more of the foregoing conditions shall be deemed a resignation for "Good Reason."

In addition to the benefits under his employment agreement, if Mr. Nuzzo's employment is terminated without Cause or upon the occurrence of a Change in Control (as described below under "—C Units"), he will receive a pro rata portion of any unpaid retention bonuses based on the number of days Mr. Nuzzo was employed from August 31, 2018 through the date of such termination or event as compared to the number of days from August 31, 2018 through March 31, 2021, the date the final portion of the retention bonus is required to be paid.

Darren MacDonald

Mr. MacDonald's employment agreement provides severance benefits to Mr. MacDonald in the event he is terminated without "Cause" or he resigns for "Good Reason," in each case, subject to his execution of a release of claims. The severance benefits include: (i) a lump sum payment equal to 12 months of his base salary; (ii) a pro rata annual bonus for the year of termination based on actual performance; (iii) if the termination is less than six months prior to a change in control, public offering, secondary public offering, or payment of any cash dividend to our shareholders, payment of any earned Digital Growth Award; and (iv) Petco-paid continued health insurance benefits under COBRA for up to 12 months following Mr. MacDonald's termination.

For purposes of Mr. MacDonald's employment agreement:

- "Cause" includes (i) Mr. MacDonald's material breach of his employment agreement; (ii) the intentional and material failure or refusal by Mr. MacDonald to substantially perform his duties; (iii) the conviction of Mr. MacDonald of, or the entering of a plea of nolo contendere by him with respect to, a felony or a misdemeanor involving moral turpitude; or (iv) Mr. MacDonald's substantial inability or failure to perform the essential functions of his position even with reasonable accommodation as required by law, in the cases of clauses (i), (ii) and (iv), subject to customary notice and cure provisions.
- "Good Reason" means (i) a material diminution in Mr. MacDonald's authority, duties or responsibilities; (ii) a requirement that he report to any person or body other than the chief executive officer or our board of directors; (iii) a diminution in his base salary; (iv) the relocation of his office to a location more than 50 miles from its present location; (v) our failure to obtain the assumption in writing of its obligation to perform the employment agreement by any buyer or successor to us upon the effective date of merger, consolidation, sale or similar transaction,

unless such assumption occurs by operation of law; or (vii) any other action or inaction that constitutes a material breach by us of Mr. MacDonald's employment agreement. If Mr. MacDonald intends to resign for one or more of the conditions listed above, he must give notice of such intent to us within 90 days after the initial existence of such condition, which we have 30 days to remedy following receipt of such notice. If we fail to cure, then any resignation by Mr. MacDonald within the 180-day period beginning with the initial existence of one or more of the foregoing conditions shall be deemed a resignation for "Good Reason."

Justin Tichy

Mr. Tichy's employment agreement provides severance benefits in the event he is terminated without cause, subject to his execution of a release of claims. The severance benefits require a lump sum payment equal to 12 months of base salary.

Michelle Bonfilio

Ms. Bonfilio's employment agreement provides severance benefits in the event she is terminated without cause, subject to her execution of a release of claims. The severance benefits are a lump sum payment equal to 12 months of base salary.

In addition, any unpaid installments under Ms. Bonfilio's retention bonus agreement remain payable in the event of her termination of employment by us without "cause" or due to her death or disability. For purposes of the Ms. Bonfilio retention agreement, "cause" is defined to include any act of dishonesty or disloyalty, fraud, conviction of a felony or conviction of a misdemeanor involving moral turpitude, and/or willful misconduct by Ms. Bonfilio in the performance of her job duties.

C Units

All unvested C Units will become fully vested upon the occurrence of a "Change in Control", subject to each NEO's continued employment through such event. A Change in Control will not occur upon the closing of this offering for purposes of the C Units.

In addition to acceleration upon a Change in Control, a portion of each NEO's C Units may vest upon direct or indirect sales by Scooby LP of our Class A common stock, and all unvested C Units will fully accelerate in the event Scooby LP sells 90% of its direct or indirect holdings of our Class A common stock.

Upon an NEO's termination without "Cause" (and, for Mr. Coughlin, a resignation for "Good Reason"), (i) a pro-rata portion of the C Units that would have vested at the next regularly scheduled vesting date will be accelerated based on the number of days elapsed since the most recent vesting date as compared to the total number of days between the most recent vesting date and the next regularly scheduled vesting date; and (ii) the NEO will continue to receive the benefit of the preceding paragraph for direct or indirect sales of our Class A common stock by Scooby LP up to 180 days following the date of termination.

For purposes of the C Units, "Cause" and "Good Reason" generally have the meaning provided in the applicable NEO's employment agreement or, if such agreement does not define such term, the meaning set forth in the Scooby LP partnership agreement. Additionally, "Change in Control" generally includes (i) a third party's acquisition of 50% or more of Scooby LP or (ii) a third party's acquisition of all or substantially all of the assets of Scooby LP and its subsidiaries, in each case, so long as the proceeds received by the Sponsors or Scooby LP consist of cash or marketable securities.

Additionally, the C Units are subject to customary repurchase rights in favor of Scooby LP in the event of the NEO's termination of employment.

Quantification of Potential Payments

The table below sets forth the aggregate amounts that would have been payable to each NEO under the Employment Agreements and C Units, as described above, assuming the applicable termination event or Change in Control occurred on February 1, 2020.

Name	Termination without Cause ($)	Resignation for Good Reason ($)	Qualifying Termination in Connection with a Change in Control ($)
Ronald Coughlin, Jr.			
Cash Payments(1)	$ 2,433,125	$ 2,433,125	—
Continued Health Benefits(2)	$ 23,170	$ 23,170	—
C Units(3)	$ 0	$ 0	$ 0
Total	$ 2,456,295	$ 2,456,295	$ 0
Michael Nuzzo			
Cash Payments(1)	$ 1,249,174	$ 1,249,174	$ 1,000,000
C Units(3)	—	—	$ 0
Total	$ 1,249,174	$ 1,249,174	$ 1,000,000
Darren MacDonald			
Cash Payments(1)	$ 1,062,000	$ 1,062,000	—
Continued Health Benefits(2)	$ 0	$ 0	—
C Units(3)	—	—	$ 0
Total	$ 1,062,000	$ 1,062,000	$ 0
Justin Tichy			
Cash Payments(1)	$ 480,000	—	—
C Units(3)	—	—	$ 0
Total	$ 480,000	—	$ 0
Michelle Bonfilio			
Cash Payments(1)	$ 456,000	—	—
C Units(3)	—	—	$ 0
Total	$ 456,000	—	$ 0

(1) These amounts were determined as follows. For Mr. Coughlin, this includes 18 months of his base salary ($1,275,000), and his annual bonus for Fiscal 2019 ($1,158,125). For Mr. Nuzzo, the severance consists of 18 months of his base salary ($975,000); he also would be entitled to a bonus payment of $969,000 (1.5 times his bonus for Fiscal 2019) if the termination were without "Cause" within 12 months following a change in control. In addition for Mr. Nuzzo, he would receive a pro rata portion of his $1,500,000 remaining retention bonus less the $500,000 already paid ($274,194) if he were terminated without cause or resigned for good reason prior to a change in control, or the full amount of the unpaid retention bonus of $1,000,000 upon a change in control. For Mr. MacDonald, this consists of 12 months of his base salary ($550,000) and his annual bonus for Fiscal 2019 ($512,000). For Mr. Tichy and Ms. Bonfilio, this consists of 12 months of their base salaries ($480,000 and $456,000, respectively). Ms. Bonfilio would also remain eligible to receive any unpaid installments of her retention bonuses when otherwise due.

(2) Amounts in this row are based on premiums in effect as of February 1, 2020, which are assumed for purposes of these calculations to remain in effect throughout the duration of the period in which continued health benefits are provided. For Mr. MacDonald, although he eligible to receive continued health benefits under the terms of his employment agreement, as of February 1, 2020, he was not a participant in our health plan and thus would not have received any benefit had the applicable termination occurred on such date.

(3) Amounts in this row reflect the C Units that will become vested upon occurrence of the applicable event based on the value of such C Units on February 1, 2020 if there had been a liquidation as of that date and payout of the corresponding C Units. As described above, because the liquidation value of Petco was less than the "Distribution Threshold" of all outstanding C Units as of February 1, 2020, no amounts would have been payable in connection with the vesting of such C Units.

Quantification under Mr. Coughlin's Amended and Restated Employment Agreement

The table below sets forth the aggregate amounts that would have been payable to Mr. Coughlin under his amended and restated employment agreement, as described above, assuming (i) the applicable termination event or Change in Control occurred on February 1, 2020 and (ii) the amended and restated employment agreement, rather than his current employment agreement, had been effective at such time. The amended and restated employment agreement does not change the treatment of C Units reported above, and thus they are not reflected in the table below. Because the special restricted stock units have not been granted and no time-based or performance-based equity awards (excluding the C Units) have been granted, no value is associated with the acceleration of the awards in the table below. As a result of the foregoing, the table does not reflect any value associated with a termination of Mr. Coughlin's employment due to death or Disability, as such termination only provides for accelerated vesting of such equity awards.

Name	Termination without Cause; Resignation for Good Reason ($)	Qualifying Termination in Connection with a Change in Control ($) (1)
Ronald Coughlin, Jr.		
Cash Payments(2)	$ 2,433,125	$ 4,983,125
Continued Health Benefits(3)	$ 23,170	$ 23,170
Total	$ 2,456,295	$ 5,006,295

(1) Includes a termination without Cause or a resignation for Good Reason, in each case, within the three months prior to or 18 months following a Change in Control.

(2) For a termination without Cause or resignation for Good Reason, this amount includes 18 months of his base salary as of February 1, 2020 ($1,275,000) and his annual bonus for Fiscal 2019 ($1,158,125). For such terminations in connection with a Change in Control, this amount includes two times the sum of Mr. Coughlin's base salary and target annual bonus as of February 1, 2020 ($3,825,000) and his annual bonus for Fiscal 2019 ($1,158,125).

(3) Amounts in this row are based on premiums in effect as of February 1, 2020, which are assumed for purposes of these calculations to remain in effect throughout the duration of the 18-month period.

Wilkin Separation Agreement

In connection with her termination of employment with us, we and Ms. Wilkin entered into the Wilkin Separation Agreement, pursuant to which she received termination benefits specified in her employment agreement and her Special Retention Bonus Agreement. These payments included (i) a lump sum payment of $515,000, equal to 12-months of her base salary at the time of her separation, (ii) a lump-sum payment of $7,000, the cost equivalent to our outplacement service package, and (iii) accelerated payment of her $2,000,000 retention bonus. We received a full release of claims in our favor pursuant to the Wilkin Separation Agreement, and all of Ms. Wilkin's C Units were forfeited or repurchased for $0.

2021 Equity Incentive Plan

In advance of the offering, we expect to adopt the Petco Health and Wellness Company, Inc. 2021 Equity Incentive Plan (the "2021 Plan"). The purpose of the 2021 Plan is to promote and closely align the interests of our employees, officers, non-employee directors, and other service providers and our stockholders by providing stock-based compensation and other performance-based compensation. The objectives of the 2021 Plan are to attract and retain the best available personnel for positions of substantial responsibility and to motivate participants to optimize the profitability and growth of Petco through incentives that are consistent with our goals and that link the personal interests of participants to those of our stockholders. The 2021 Plan will allow for the grant of stock options, both incentive stock options and "non-qualified" stock options; stock appreciation rights ("SARs"), alone or in conjunction with other awards; restricted stock and restricted stock units ("RSUs"); incentive bonuses, which may be paid in cash, stock, or a combination thereof; and other stock-based awards. We refer to these collectively herein as "Awards."

The following description of the 2021 Plan is not intended to be complete and is qualified in its entirety by the complete text of the 2021 Plan, a copy of which will be filed as an exhibit to the registration statement of which this prospectus forms a part. Stockholders and potential investors are urged to read the 2021 Plan in its entirety. Any capitalized terms which are used in this summary description but not defined here or elsewhere in this prospectus have the meanings assigned to them in the 2021 Plan.

Administration

The 2021 Plan will be administered by the Compensation Committee, or such other committee designated by our board of directors to administer the plan, which we refer to herein as the Administrator. The Administrator will have broad authority, subject to the provisions of the 2021 Plan, to administer and interpret the 2021 Plan and Awards granted thereunder. All decisions and actions of the Administrator will be final.

Stock Subject to 2021 Plan

The maximum number of shares that may be issued under the 2021 Plan will not exceed 28,271,641, subject to certain adjustments in the event of a change in our capitalization. Shares of common stock issued under the 2021 Plan may be either authorized and unissued shares or previously issued shares acquired by us. On termination or expiration of an Award under the 2021 Plan, in whole or in part, the number of shares of common stock subject to such Award but not issued thereunder or that are otherwise forfeited back to Petco will again become available for grant under the 2021 Plan. Additionally, shares retained or withheld in payment of any exercise price, purchase price or tax withholding obligation of an Award will again become available for grant under the 2021 Plan.

Limits on Non-Employee Director Compensation

Under the 2021 Plan, the aggregate dollar value of all cash and equity-based compensation (whether granted under the 2021 Plan or otherwise) to our non-employee directors for services in such capacity shall not exceed $800,000 during any calendar year. However, during the calendar year in which a non-employee director first joins our board of directors or during any calendar year in which a non-employee director serves as Chairman or Lead Director, such aggregate limit shall instead be $1,000,000.

Types of Awards

Stock Options

All stock options granted under the 2021 Plan will be evidenced by a written agreement with the participant, which provides, among other things, whether the option is intended to be an incentive stock option or a non-qualified stock option, the number of shares subject to the option, the exercise price, exercisability (or vesting), the term of the option, which may not generally exceed ten years, and other terms and conditions. Subject to the express provisions of the 2021 Plan, options generally may be exercised over such period, in installments or otherwise, as the Administrator may determine. The exercise price for any stock option granted may not generally be less than the fair market value of the common stock subject to that option on the grant date. The exercise price may be paid in cash or such other method as determined by the Administrator, including an irrevocable commitment by a broker to pay over such amount from a sale of the shares issuable under an option, the delivery of previously owned shares or withholding of shares deliverable upon exercise. Other than in connection with a change in our capitalization, we will not, without stockholder approval, reduce the exercise price of a previously awarded option, and at any time when the exercise price of a previously awarded option is above the fair market value of a share of common stock, we will not, without stockholder approval, cancel and re-grant or exchange such option for cash or a new Award with a lower (or no) exercise price.

Stock Appreciation Rights

SARs may be granted alone or in conjunction with all or part of a stock option. Upon exercising a SAR, the participant is entitled to receive the amount by which the fair market value of the common stock at the time of exercise exceeds the exercise price of the SAR. This amount is payable in common stock, cash, restricted stock, or a combination thereof, at the Administrator's discretion.

Restricted Stock and RSUs

Awards of restricted stock consist of shares of stock that are transferred to the participant subject to restrictions that may result in forfeiture if specified conditions are not satisfied. RSUs result in the transfer of shares of cash or stock to the participant only after specified conditions are satisfied. The Administrator will determine the restrictions and conditions applicable to each award of restricted stock or RSUs, which may include performance vesting conditions.

Incentive Bonuses

Each incentive bonus will confer upon the participant the opportunity to earn a future payment tied to the level of achievement with respect to one or more performance criteria established for a specified performance period. The Administrator will establish the performance criteria and level of achievement versus these criteria that will determine the threshold, target, and maximum amount payable under an incentive bonus, which criteria may be based on financial performance and/or personal performance evaluations. Payment of the amount due under an incentive bonus may be made in cash or shares, as determined by the Administrator.

Other Stock-Based Awards

Other stock-based awards are Awards denominated in or payable in, valued in whole or in part by reference to, or otherwise based on or related to, the value of stock.

Performance Criteria

The Administrator may specify certain performance criteria which must be satisfied before Awards will be granted or will vest. The performance goals may vary from participant to participant, group to group, and period to period.

Transferability

Awards generally may not be sold, transferred for value, pledged, assigned or otherwise alienated or hypothecated by a participant other than by will or the laws of descent and distribution, and each option or SAR may be exercisable only by the participant during his or her lifetime.

Amendment and Termination

Our board of directors has the right to amend, alter, suspend or terminate the 2021 Plan at any time, provided certain enumerated material amendments may not be made without stockholder approval. No amendment or alteration to the 2021 Plan or an Award or Award agreement will be made that would materially impair the rights of the holder, without such holder's consent; however, no consent will be required if the Administrator determines in its sole discretion and prior to the date of any change in control that such amendment or alteration either is required or advisable in order for us, the 2021 Plan or such Award to satisfy any law or regulation or to meet the requirements of or avoid adverse financial accounting consequences under any accounting standard, or is not reasonably likely to significantly diminish the benefits provided under such Award, or that any such diminishment has been adequately compensated. The 2021 Plan is expected to be adopted by our board of directors and our sole stockholder in connection with this offering and will automatically terminate, unless earlier terminated by our board of directors, ten years after such approval by our board of directors.

2021 Employee Stock Purchase Plan

In advance of the offering, we expect to adopt the Petco Health and Wellness Company, Inc. 2021 Employee Stock Purchase Plan (the “ESPP”). The purpose of the ESPP is to encourage and enable our eligible employees to acquire a proprietary interest in us through the ownership of our Class A common stock. A maximum of 7,710,448 shares may be purchased under the ESPP. The ESPP, and the rights of participants to make purchases thereunder, is intended to qualify under the provisions of Sections 421 and 423 of the Code.

The following description of the ESPP is not intended to be complete and is qualified in its entirety by the complete text of the ESPP, a copy of which will be filed as an exhibit to the registration statement of which this prospectus forms a part. Stockholders and potential investors are urged to read the ESPP in its entirety. Any capitalized terms which are used in this summary description but not defined here or elsewhere in this prospectus have the meanings assigned to them in the ESPP.

Administration

The ESPP is administered by the Compensation Committee or another committee designated by our board of directors to administer the plan, which we refer to herein as the ESPP Administrator. All questions of interpretation of the ESPP are determined by the ESPP Administrator, whose decisions are final and binding upon all participants. The ESPP Administrator may delegate its responsibilities under the ESPP to one or more other persons.

Eligibility; Participation

Each employee is eligible to participate in the ESPP. The first offering period will run for approximately 24 months, with subsequent offering periods lasting for 12 months, unless otherwise determined by the ESPP Administrator. Each offering period will contain successive six-month purchase periods.

An eligible employee may begin participating in the ESPP effective at the beginning of an offering period or any purchase periods within an offering period. Once enrolled in the ESPP, a participant is able to purchase our common shares with payroll deductions at the end of the applicable offering period. Once an offering period is over, a participant is automatically enrolled in the next offering period unless the participant chooses to withdraw from the ESPP.

Purchase Price

The price per share at which shares are purchased under the ESPP is determined by the ESPP Administrator but in no event will be less than 85% of the fair market value of the common stock on the first or the last day of the offering period, whichever is lower. A participant may designate payroll deductions to be used to purchase shares up to a maximum of the percentage of the participant’s compensation set by the ESPP Administrator (which rate may be changed from time to time, but in no event shall be greater than 15%). A participant may only change the percentage of compensation that is deducted to purchase shares under the ESPP (other than to withdraw entirely from the ESPP) effective at the beginning of an offering period. At the end of each offering period, unless the participant has withdrawn from the ESPP, payroll deductions are applied automatically to purchase common shares at the price described above. The number of shares purchased is determined by dividing the payroll deductions by the applicable purchase price.

Adjustments

In the event of any reorganizations, recapitalizations, stock splits, reverse stock splits, stock dividends, extraordinary dividends or distributions or similar events, the ESPP Administrator will appropriately adjust the number and class of shares available under the ESPP and the applicable purchase price of such shares.

Limitations on Participation

A participant is not permitted to purchase shares under the ESPP if the participant would own common stock possessing 5% or more of the total combined voting power or value of equity interests. A participant is also not permitted to purchase common stock with a fair market value in excess of $25,000 in any one calendar year (or more than 5,000 shares in any purchase period). A participant does not have the rights of a shareholder until the shares are actually issued to the participant.

Transferability

Rights to purchase Class A common stock under the ESPP may not be transferred by a participant and may be exercised during a participant's lifetime only by the participant.

Amendment and Termination

The ESPP will become effective when it is approved by our sole stockholder prior to the completion of the offering described herein in accordance with applicable law. Our board of directors may amend, alter or discontinue the ESPP in any respect at any time; however, stockholder approval is required for any amendment that would increase the number of shares reserved under the ESPP other than pursuant to an adjustment as provided in the ESPP or materially change the eligibility requirements to participate in the ESPP.

Director Compensation

We pay cash compensation to our independent, non-employee directors for their services as directors. The table below describes the compensation provided to our independent, non-employee directors in Fiscal 2019, which consisted solely of an annual cash stipend paid quarterly.

Name(1)	Fees Earned or Paid in Cash ($)	Total ($)
Gary Briggs	$ 75,000	$75,000
Christy Lake	$ 75,000	$75,000

(1) As of February 1, 2020, Mr. Briggs and Ms. Lake each held 1,500,000 C Units originally granted in 2018 with a Distribution Threshold of $0.50, which are generally subject to the same terms as the C Units granted to our NEOs, as described under "Executive Compensation—Compensation Discussion and Analysis—Elements of Compensation—Long-Term Equity Incentive Compensation" and "Executive Compensation—Potential Payments Upon Termination or Change-in-Control—C Units" above.

In addition to the compensation described above, each of our independent, non-employee directors were offered reimbursement for reasonable, documented out-of-pocket expenses in connection with performing their duties.

In connection with the consummation of this offering, we expect to adopt a director compensation program pursuant to which members of our board of directors who are not employees or officers of our company, the Principal Stockholder, CVC, CPP Investments or their respective affiliates shall receive:

- Annual cash retainer of $80,000;
- Cash fee of $35,000 for service as chairperson or $10,000 for service other than as chairperson of the Audit Committee;
- Cash fee of $25,000 for service as chairperson or $10,000 for service other than as chairperson of the Compensation Committee;

- Cash fee of $20,000 for service as chairperson or $7,500 for service other than chairperson of the Nominating and Corporate Governance Committee;
- Cash fee of $150,000 for service as the non-executive chair of our board of directors;
- Cash fee of $50,000 for service as the lead director of our board of directors; and
- Annual equity grant of restricted stock units under the 2021 Plan with a value of approximately $150,000, subject to one-year cliff vesting on the day of the next annual stockholder meeting.

In accordance with our director compensation program, we expect to grant each eligible member of our board of directors a pro-rata grant, which will vest in connection with our 2021 annual stockholder meeting. In connection with her appointment, Ms. Simmons is expected to receive an additional grant of restricted stock units under the 2021 Plan with a value of approximately $150,000, subject to cliff vesting in connection with our 2022 annual stockholder meeting. In addition, we expect that our director compensation program will provide each director with reimbursement for reasonable travel and miscellaneous expenses incurred in attending meetings and activities of our board of directors and its committees.

PRINCIPAL STOCKHOLDERS

The following table sets forth the beneficial ownership of our common stock that, upon the consummation of this offering, will be owned by:

- each person known to us to beneficially own more than 5% of any class of our outstanding common stock;
- each member of our board of directors;
- each of our named executive officers; and
- all of our directors and executive officers as a group.

The amounts and percentage of shares of our common stock beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Under the rules of the SEC, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose of or to direct the disposition of such security. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, common stock subject to options or warrants held by that person that are currently exercisable or exercisable within 60 days of the date of this prospectus, if any, are deemed outstanding, but are not deemed outstanding for computing the percentage ownership of any other person. Except as indicated by footnote, the persons named in the table below have sole voting and investment power with respect to all shares of our common stock shown as beneficially owned by them, subject to community property laws where applicable.

The percentage ownership information shown in the table prior to the completion of this offering is based on 171,224,140 shares of our Class A common stock, 37,790,781 shares of our Class B-1 common stock and 37,790,781 shares of our Class B-2 common stock outstanding, after giving effect to the Recapitalization and the Corporate Conversion. The percentage ownership information shown in the table after this offering is based on 219,224,140 shares of our Class A common stock, 37,790,781 shares of our Class B-1 common stock and 37,790,781 shares of our Class B-2 common stock outstanding, after giving effect to the sale of 48,000,000 shares of Class A common stock by us in this offering and assuming no exercise of the underwriters' option to purchase additional shares. The rights of the holders of our Class A common stock and our Class B-1 common stock are identical in all respects, except that our Class B-1 common stock does not vote on the election or removal of directors. The rights of the holders of our Class B-2 common stock differ from the rights of the holders of our Class A common stock and Class B-1 common stock in that holders of our Class B-2 common stock only possess the right to vote on the election or removal of directors. The table does not reflect any shares of our common stock that may be purchased through the directed share program, as described under "Underwriting (Conflicts of Interest)—Directed Share Program."

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All information with respect to beneficial ownership has been furnished by the respective 5% or more stockholders, directors, or executive officers, as the case may be. Unless otherwise noted, the mailing address of each listed beneficial owner is 10850 Via Frontera, San Diego, California 92127.

Name of Beneficial Owner	Shares Beneficially Owned Prior to this Offering								Shares Beneficially Owned Following this Offering							
	Class A		Class B-1		Class B-2		% of Total Voting Power(1)	% of Total Director Election and Removal Power	Class A		Class B-1		Class B-2		% of Total Voting Power(1)	% of Total Director Election and Removal Power
(number of shares in millions)	Number	%	Number	%	Number	%			Number	%	Number	%	Number	%		
Principal Stockholders																
Scooby Aggregator LP(2)(3)(4)	171.2	100.0%	37.8	100.0%	—	—%	100.0%	81.9%	171.2	78.1%	37.8	100.0%	—	—%	81.3%	66.6
CVC B-2 SPV, LLC(3)(5)	—	—	—	—	19.3	51.0	—	9.2	—	—	—	—	19.3	51.0	—	7.5
9314601 B-2 SPV, LLC(6)	—	—	—	—	18.5	49.0	—	8.9	—	—	—	—	18.5	49.0	—	7.2
Directors and Named Executive Officers																
Ronald Coughlin, Jr.	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Michael Nuzzo	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Michelle Bonfilio	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Ilene Eskenazi	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Tariq Hassan	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Nicholas Konat	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Darren MacDonald	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Justin Tichy	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
John Zavada	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Maximilian Biagosch	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cameron Breitner	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Gary Briggs	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Nishad Chande	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Christy Lake	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Jennifer Pereira	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Christopher J. Stadler	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
All Directors and Executive Officers as a group(16 persons)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

(1) Does not include the right to vote on the election or removal of our directors.

(2) Represents shares of our common stock directly held by Scooby Aggregator LP, our Principal Stockholder, which is indirectly owned by our Sponsors, certain co-investors and certain employees, directors, optionholders, and stockholders of Petco and its subsidiaries. The general partner of Scooby LP is Scooby GP LLC, a member managed limited liability company whose sole members are CVC Pet LP and CPP Investments. Both CVC Pet LP and CPP Investments have material consent rights with respect to the actions of Scooby GP LLC. In connection with the closing of this offering, our Principal Stockholder is expected to enter into a note purchase agreement. The note purchase agreement loan will be secured by a pledge of all of our common stock held by our Principal Stockholder and its affiliates.

(3) Investment and voting power with regard to shares directly held by CVC Pet LP rests with the Board of Directors of its general partner, CVC Scooby Jersey GP Limited. Certain investment funds managed by CVC Capital Partners VI Limited wholly own CVC Scooby Jersey GP Limited, and investment and voting power with regard to the shares held by such funds rests with the Board of Directors of CVC Capital Partners VI Limited, which board consists of Carl Hansen, Victoria Cabot, John Maxey, and Fred Watt, each of whose address is c/o CVC Capital Partners VI Limited, 27 Esplanade, St Helier, Jersey JE1 1SG, Channel Islands. Each of these individuals may be deemed to indirectly share voting and/or investment power over the shares held of record by Scooby LP. The approval of a majority of such directors is required to make any investment or voting decision with regard to any shares beneficially owned by CVC Pet LP, and as such, each such individual disclaims beneficial ownership of such shares.

(4) Investment and voting power with regard to shares indirectly beneficially held by CPP Investments (through Scooby LP) rests with Canada Pension Plan Investment Board. Mark Machin is the President and Chief Executive Officer of Canada Pension Plan Investment Board and, in such capacity, may be deemed to have voting and dispositive power with respect to the shares of common stock beneficially owned by Canada Pension Plan Investment Board. Mr. Machin disclaims beneficial ownership over any such shares. The address of Canada Pension Plan Investment Board is One Queen Street East, Suite 2500, P.O. Box 101, Toronto, Ontario, M5C 2W5, Canada.

(5) Represents shares of our Class B-2 common stock directly held by CVC B-2 SPV, LLC, a wholly owned subsidiary of CVC Pet LP.

(6) Represents shares of our Class B-2 common stock directly held by 9314601 B-2 SPV, LLC, a wholly owned indirect subsidiary of Richard Hamm, who is unaffiliated with Canada Pension Plan Investment Board. 9314601 B-2 SPV, LLC has agreed not to vote or transfer any shares of Class B-2 common stock held by it or such subsidiary except as directed by Canada Pension Plan Investment Board, and accordingly, Canada Pension Plan Investment Board may be deemed to beneficially own such shares held by 9314601 Canada Inc. or such subsidiary for purposes of Section 13(d) of the Exchange Act. See footnote (4) above for information regarding Canada Pension Plan Investment Board.

DESCRIPTION OF INDEBTEDNESS

Senior Secured Credit Facilities

Petco Animal Supplies has a $2,525.0 million senior secured term loan facility (the “term loan facility”), maturing on January 26, 2023, which was most recently amended on January 27, 2017, and a senior secured asset-based revolving credit facility (the “revolving credit facility”), providing for senior secured financing of up to $500.0 million, subject to a borrowing base, expiring on the earlier of 91 days prior to the maturity of the term loan facility (currently October 27, 2022) or five years from the most recent amendment (August 23, 2023), which was most recently amended on August 23, 2018.

The obligations under the senior secured credit facilities are unconditionally guaranteed by each of Petco Animal Supplies’ domestic material subsidiaries (the “Guarantors”) and secured, subject to certain exceptions, by substantially all assets of Petco Animal Supplies and the Guarantors.

The credit agreements governing the senior secured credit facilities contain certain customary affirmative and negative covenants that relate to indebtedness, liens, fundamental changes in the business, investments, restricted payments, and agreements, among other things. The credit agreement governing the revolving credit facility requires Petco Animal Supplies to comply with a minimum fixed charge coverage ratio if excess availability falls below a specified threshold or other specified triggering events occur. Under the credit agreement governing the revolving credit facility, compliance with certain payment conditions, including a minimum fixed charge coverage, is required for Petco Animal Supplies taking certain corporate actions. Under the credit agreement governing the term loan facility, compliance with certain leverage criteria is required for Petco Animal Supplies taking certain corporate actions. These covenants apply to Petco Animal Supplies and its restricted subsidiaries.

The credit agreements governing the senior secured credit facilities contain customary default provisions including, among others, the failure to make payments when due, defaults under other material indebtedness, non-compliance with covenants, change of control, and bankruptcy, the occurrence of any of which would limit our ability to draw on the revolving credit facility and could result in the lenders under the senior secured credit facilities accelerating the maturity of such indebtedness and foreclosing upon the collateral pledged thereunder. Under the credit agreements governing the senior secured credit facilities, we are and will be permitted to enter into certain additional borrowing arrangements, subject to certain limitations. At October 31, 2020, we were in compliance with all of the covenants under the credit agreements governing the senior secured credit facilities.

Term Loan Facility

As of October 31, 2020, the outstanding principal balance of the term loan facility was $2,405.1 million ($2,359.0 million, net of the unamortized discount and debt issuance costs). Interest under the term loan facility is at our option of the bank’s ABR, payable quarterly in arrears, or LIBOR (subject to a 1.00% floor), payable upon maturity of the LIBOR contract, plus the applicable rate in either case. The ABR is the greater of the bank prime rate, federal funds effective rate plus 0.5%, or adjusted LIBOR plus 2.0%. The applicable rate is based on the senior secured first lien net leverage ratio, and is currently calculated as follows:

Senior Secured First Lien Net Leverage Ratio	ABR Spread	LIBOR Rate Spread
>4.00 to 1.00	2.25%	3.25%
£4.00 to 1.00	2.00%	3.00%

Principal payments under the term loan facility are $6.3 million quarterly, with the balance of the principal due at maturity.

Revolving Credit Facility

The revolving credit facility was most recently amended on August 23, 2018, to extend the availability of $500 million of commitments of consenting lenders to August 23, 2023, subject to a springing maturity 91 days inside the term loan facility maturity. The terms of the revolving credit facility remain substantially unchanged. As of October 31, 2020, no amounts were outstanding under the revolving credit facility.

The revolving credit facility has availability up to $500.0 million and a $150.0 million letter of credit sub-facility. The availability is limited to a borrowing base, which allows us to borrow up to 90.0% of eligible accounts receivable plus 90.0% of the net orderly liquidation value of the inventory plus 100% of qualified cash not to exceed $50.0 million, net of certain reserves. Letters of credit reduce the amount available to borrow under the revolving credit facility by their face value.

Interest on the revolving credit facility is based on either ABR or Adjusted LIBOR subject to a floor of 0%, in either case, plus an applicable margin. The applicable margin is currently equal to 25 basis points in the case of ABR loans and 125 basis points in the case of Adjusted LIBOR loans. The applicable margin is adjusted quarterly based on the average historical excess availability as a percentage of the Line Cap, which represents the lesser of the aggregate revolving credit facility and the borrowing base, as follows:

Average Historical Excess Availability	Applicable Margin for Adjusted LIBOR Loans	Applicable Margin for ABR Loans
Less than 33.3% of the Line Cap	1.75%	0.75%
Less than 66.7% but greater than or equal to 33.3% of the Line Cap	1.50%	0.50%
Greater than or equal to 66.7% of the Line Cap	1.25%	0.25%

The fee in effect on unused commitments is based on average daily exposure under the revolving credit facility, and is equal to 0.25% if the exposure exceeds 50% of the line cap in effect. Otherwise, the fee is equal to 0.375%.

As of October 31, 2020, no amounts were outstanding under the revolving credit facility and $390.2 million remains available, which is net of $61.5 million of outstanding letters of credit issued in the normal course of business and a $48.3 million borrowing base reduction for a shortfall in qualifying assets, net of reserves.

3.00% Senior Notes and Floating Rate Senior Notes

In connection with this offering, the 3.00% Senior Notes will be contributed to us and canceled, and the Floating Rate Senior Notes will be fully redeemed. For more information regarding this indebtedness, please read “Recapitalization and Corporate Conversion” and Note 9 to the historical consolidated financial statements included elsewhere in this prospectus.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Procedures for Review, Approval, and Ratification of Related Person Transactions

Upon the completion of this offering, our board of directors will adopt a written policy regarding the review, approval, ratification, or disapproval by our Audit Committee of transactions between us or any of our subsidiaries and any related person (to be defined in the policy to include our executive officers, directors or director nominees, any stockholder beneficially owning in excess of 5% of our stock or securities exchangeable for our stock, and any immediate family member of any of the foregoing persons) in which the amount involved since the beginning of our last completed fiscal year will or may be expected to exceed $120,000 and in which one or more of such related persons has a direct or indirect material interest. In approving or rejecting any such transaction, we expect that our Audit Committee will consider the relevant facts and circumstances available and deemed relevant to the Audit Committee. Any member of the Audit Committee who is a related person with respect to a transaction under review will not be permitted to participate in the deliberations or vote on approval, ratification, or disapproval of the transaction.

Related Party Transactions

Our Sponsors are our principal beneficial owners through our Principal Stockholder and other entities and, after giving effect to the Corporate Conversion and the completion of this offering, will own 171,224,140 shares of our Class A common stock, 37,790,781 shares of our Class B-1 common stock, and 37,790,781 shares of our Class B-2 common stock representing collectively approximately 81.3% of the voting power of our company. Following this offering, Cameron Breitner, Nishad Chande, and Christopher J. Stadler, as designees of CVC, and Maximilian Biagosch, Jennifer Pereira, and Mary Sullivan, as designees of CPP Investments, will be directors on our board of directors.

3.00% Senior Notes

In January 2016, we issued 0.75% Senior Unsecured Notes in an initial aggregate principal amount of $125,000,000 to Scooby LP and other noteholders. On April 16, 2019, the notes were extended, amended, and restated with an interest rate of 3.00% (with effectiveness from January 26, 2019) (as amended, the “3.00% Senior Notes”). The 3.00% Senior Notes were subsequently extended, amended, and restated on July 25, 2019, February 3, 2020, and September 28, 2020. As of September 28, 2020, Scooby LP held a total principal amount of $120.4 million of the 3.00% Senior Notes.

Prior to the completion of this offering, noteholders, including Scooby LP, will contribute to us $132 million aggregate principal amount of the outstanding 3.00% Senior Notes, plus accrued but unpaid interest. In connection with the contribution, we will pay Scooby LP $4 million to cover certain of its expenses. After accounting for an offset of certain inter-company indebtedness, we will cancel the 3.00% Senior Notes and record the cancellation as a capital contribution to us. For more information about the 3.00% Senior Notes, please read “Recapitalization and Corporate Conversion” and Note 9 to our historical consolidated financial statements included elsewhere in this prospectus.

Promissory Note

Scooby LP holds a promissory note issued by Petco Animal Supplies with an initial principal amount of $3.5 million in connection with the acquisition by Petco Animal Supplies of an online pet healthcare service on March 22, 2017. Half of this promissory note was redeemed effective as of March 25, 2019, and the remaining half of the promissory note equal to $1.9 million remains outstanding as of October 31, 2020.

Management Services Agreement

On January 26, 2016, and in connection with the acquisition of our company by our Sponsors, Petco Animal Supplies entered into a management services agreement with certain affiliates and/or investment advisors of our Sponsors (the "Sponsor MSA Parties"), pursuant to which the Sponsor MSA Parties agreed to provide certain management and financial services. The services include management, consulting, and financial planning services in connection with the operation and growth of our company. As compensation for such services, we agreed to reimburse the Sponsor MSA Parties' costs for services rendered, including expenses related to maintaining the holding company structure through which our Sponsors own us indirectly, plus reimbursement of reasonable out-of-pocket expenses incurred in connection with the services rendered. We also agreed to provide customary indemnification to the Sponsor MSA Parties. We paid approximately $310,000 in Fiscal 2017, $340,000 in Fiscal 2018, $45,000 in Fiscal 2019, and $210,000 in the thirty-nine week period ended October 31, 2020 in costs and reimbursements. This agreement will be terminated in connection with the closing of this offering.

Registration Rights Agreement

In connection with the completion of this offering, we will enter into a registration rights agreement with the Principal Stockholder. We expect that the agreement will contain provisions that will require us to register under the federal securities laws the offer and resale of shares of our Class A common stock held by the Principal Stockholder upon demand thereof. The agreement will also grant the Principal Stockholder the opportunity to include its shares in any registration statement filed by us in connection with a public offering of our equity securities (customarily known as "piggyback rights"). These registration rights will be subject to certain conditions and limitations. We expect the Principal Stockholder to exercise its demand registration rights as soon as 180 days after completion of this offering pursuant to its obligations under the note purchase agreement. We will generally be obligated to pay all registration expenses in connection with these registration obligations, regardless of whether a registration statement is filed or becomes effective.

Stockholder's Agreement

In connection with the completion of this offering, we intend to enter into a stockholder's agreement with the Principal Stockholder. The stockholder's agreement will give our Principal Stockholder the right to designate a certain number of nominees for election to our board of directors and certain committee nomination and observer rights so long as the Principal Stockholder does not sell below, or beneficially owns (directly or indirectly), as applicable, a specified percentage of our outstanding Class A common stock and Class B-1 common stock. Please read "Management—Board of Directors and Committees—Composition of Our Board of Directors After This Offering." Additionally, the stockholder's agreement will specify that we will not take certain significant actions specified therein without the prior written consent of our Principal Stockholder as long as our Principal Stockholder (including its permitted transferees under the stockholder's agreement) beneficially owns (directly or indirectly) at least 25% of the outstanding shares of Class A common stock and Class B-1 common stock (as adjusted for stock splits, combinations, reclassifications and similar transactions). Such specified actions include:

- liquidation, dissolution or winding up of our company;
- any material change in the nature of the business or operations of our company and our subsidiaries, taken as a whole, as of the date of the stockholder's agreement;
- hiring or terminating the CEO of our company and his or her successors and, so long as our Principal Stockholder beneficially owns (directly or indirectly) at least 50% of the outstanding shares of Class A common stock and Class B-1 common stock (as adjusted for stock splits, combinations, reclassifications, and similar transactions), hiring or terminating any other executive officer of our company and his or her successor;
- any mergers or other transaction that, if consummated, would constitute a "change in control" (as defined in the stockholder's agreement) or entering into any definitive agreement or series of related agreements that govern any transaction or series of related transactions that, if consummated, would result in a "change in control";

- entering into any agreement providing for the acquisition or divestiture of assets or persons, in each such case, involving consideration payable or receivable by the Company or any of its subsidiaries in excess of a specified monetary threshold in a 12-month period;
- any incurrence by us or any of our subsidiaries of indebtedness for borrowed money (including through capital leases, the issuance of debt securities or the guarantee of indebtedness of another person), other than indebtedness incurred under an existing and previously approved revolving credit facility, in excess of a specified monetary threshold in a 12-month period or that would result in our company’s total net leverage ratio (as defined in the senior secured credit facilities) exceeding 4:00:1:00;
- any issuance or series of related issuances of equity securities by us or our subsidiaries, other than grants of equity securities under any equity compensation plan (including an employee stock purchase plan) approved by the board of directors or a committee thereof;
- any payment or declaration of any dividend or other distribution of any shares of Class A Common Stock or Class B-1 Common Stock or entering into any recapitalization transaction the primary purpose of which is to pay a dividend of shares of Class A Common Stock or Class B-1 Common Stock;
- any increase or decrease in the size of the board of directors or the committees of the board; and
- amendments to, or modification or repeal of, organizational documents (such as our certificate of incorporation and bylaws or equivalent organizational documents of our subsidiaries) that adversely affect any of the Principal Stockholder, CVC or CPP Investments or their respective affiliates.

Indemnification Agreements

Our bylaws will provide that we will indemnify our directors and officers to the fullest extent permitted by law. In addition, we intend to enter into separate indemnification agreements with our directors and certain officers. Each indemnification agreement will provide, among other things, for indemnification to the fullest extent permitted by law and our bylaws against any and all expenses, judgments, fines, penalties, and amounts paid in settlement of any claim, subject to certain exceptions contained in those agreements. The indemnification agreements will provide for the advancement or payment of all expenses to the indemnitee and for the reimbursement to us if it is found that such indemnitee is not entitled to such indemnification under applicable law and our bylaws or the applicable indemnification agreement.

DESCRIPTION OF CAPITAL STOCK

The description of our Class A, Class B-1 and B-2 common stock and our preferred stock reflects the completion of the Corporate Conversion.

We are a Delaware corporation. After giving effect to the Corporate Conversion and the completion of this offering, our authorized capital stock will consist of 1,000,000,000 shares of Class A common stock, $0.001 par value per share, of which 219,224,140 shares will be issued and outstanding, 75,000,000 shares of Class B-1 common stock, $0.001 par value per share, of which 37,790,781 shares will be issued and outstanding, 75,000,000 shares of Class B-2 common stock, $0.000001 par value per share, of which 37,790,781 shares will be issued and outstanding, and 25,000,000 shares of preferred stock, par value $0.001 per share, all of which shares of preferred stock are undesignated. Our board of directors will be able to establish one or more series of preferred stock and fix the powers, designations, rights, and preferences of each such series from time to time. Immediately following this offering, we expect that no shares of preferred stock will be issued and outstanding. Our Sponsors will beneficially own all outstanding shares of Class B-1 common stock and Class B-2 common stock. Unless the context otherwise requires, references to "common stock" refer to our Class A common stock, our Class B-1 common stock, and our Class B-2 common stock, collectively.

The following description of the anticipated certificate of incorporation and bylaws does not purport to be complete and is qualified in its entirety by reference to the provisions of applicable law and to our anticipated certificate of incorporation and bylaws, which are filed as exhibits to the registration statement of which this prospectus is a part.

Class A Common Stock

Pursuant to our certificate of incorporation, holders of our Class A common stock will be entitled to one vote on all matters submitted to a vote of stockholders; provided, however, that, except as otherwise required by law, holders of Class A common stock, as such, shall not be entitled to vote on any amendment to our certificate of incorporation that relates solely to the terms of one or more outstanding series of preferred stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to our certificate of incorporation. Pursuant to our certificate of incorporation, holders of Class A common stock will not be entitled to cumulative voting.

Each share of Class A common stock will be convertible into one share of Class B-1 common stock and one share of Class B-2 common stock at any time and from time to time, at the option of the holder, so long as such holder holds one or more shares of Class B-1 common stock or Class B-2 common stock at the time of conversion. No public stockholders will have conversion rights because they will not be eligible to hold shares of Class B-1 common stock or Class B-2 common stock.

Subject to the rights, if any, of the holders of any outstanding series of preferred stock, holders of our Class A common stock shall be entitled to receive dividends out of any of our funds legally available when, as, and if declared by our board of directors. Upon the dissolution, liquidation, or winding up of our company, subject to the rights, if any, of the holders of our preferred stock, the holders of our Class A common stock shall be entitled to receive the assets of our company available for distribution to its stockholders ratably in proportion to the number of shares held by them and the holders of our Class B-1 and Class B-2 common stock; provided, however, that the distribution to holders of Class B-2 common stock shall be limited to the aggregate par value of such holders' then outstanding shares of Class B-2 common stock. Holders of Class A common stock will not have preemptive or conversion rights, other than as described above, or other subscription rights. There will be no redemption or sinking fund provisions applicable to our Class A common stock.

Class B-1 and Class B-2 Common Stock

Pursuant to our certificate of incorporation, our Class B-1 common stock will have the same rights as our Class A common stock, except that holders of our Class B-1 common stock will not be entitled to vote in the election or removal of directors. Holders of our Class B-2 common stock will only have the right to vote in the election or removal of directors. Pursuant to our certificate of incorporation, holders of Class B-1 and Class B-2 common stock will not be entitled to cumulative voting.

Each share of our Class B-1 common stock will be convertible into one share of Class A common stock at the option of the holder. As a condition to such conversion, the holder of the shares of Class B-1 common stock to be converted must direct a holder of Class B-2 common stock to transfer an equal number of shares to our company. No public stockholders will have conversion rights because they will not be eligible to hold shares of Class B-1 common stock or Class B-2 common stock.

Subject to the rights, if any, of the holders of any outstanding series of preferred stock, holders of our Class B-1 common stock shall be entitled to receive dividends out of any of our funds legally available when, as, and if declared by our board of directors. Upon our dissolution, liquidation, or winding up, subject to the rights, if any, of the holders of our preferred stock, the holders of shares of our Class B-1 common stock and Class B-2 common stock shall be entitled to receive the assets of our company available for distribution to its stockholders ratably in proportion to the number of shares held by them and the holders of our Class A common stock; provided, however, that the distribution to holders of Class B-2 common stock shall be limited to the aggregate par value of such holders' then-outstanding shares of Class B-2 common stock. Holders of Class B-1 and Class B-2 common stock will not have preemptive or conversion rights, other than as described above, or other subscription rights. There will be no redemption or sinking fund provisions applicable to our Class B-1 and Class B-2 common stock.

We divided the voting rights between Class B-1 common stock and Class B-2 common stock as described above in order to maintain CPP Investments' compliance with certain regulations under the Canada Pension Plan Investment Board Act, which restrict CPP Investments from investing in securities of a corporation that carry more than 30% of the votes that may be cast for the election of directors of such corporation. We will issue such number of shares of Class B-1 common stock and B-2 common stock as is necessary to facilitate CPP Investments' compliance with such regulations. For more information on the shares of Class B-2 common stock subject to such regulations, please read footnote (6) to the table in "Principal Stockholders."

Preferred Stock

Under the terms of our certificate of incorporation, our board of directors will be authorized, subject to limitations prescribed by the DGCL and by our certificate of incorporation, to issue up to shares of preferred stock in one or more series without further action by the holders of our common stock. Our board of directors will have the discretion, subject to limitations prescribed by the DGCL and by our certificate of incorporation, to determine the powers (including voting powers), preferences, and relative, participating, optional or other rights, if any, and the qualifications, limitations, or restrictions, if any, of the shares of each such series.

Dividends

The DGCL permits a corporation to declare and pay dividends out of "surplus" or, if there is no "surplus," out of its net profits for the fiscal year in which the dividend is declared or the preceding fiscal year. "Surplus" is defined as the excess of the net assets of the corporation over the amount determined to be the capital of the corporation by its board of directors. The capital of the corporation is typically calculated to be (and cannot be less than) the aggregate par value of all issued shares of our common stock. Net assets equals the fair value of the total assets minus total liabilities. The DGCL also provides that dividends may not be paid out of net profits if, after the payment of the dividend, remaining capital would be less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets. Declaration and payment of any dividend will be subject to the discretion of our board of directors.

Anti-Takeover Effects of Provisions of Our Certificate of Incorporation, our Bylaws, and Delaware Law

Some provisions of Delaware law, our certificate of incorporation, and our bylaws, which will be in effect upon the completion of the Corporate Conversion, will contain provisions that could make the following transactions more difficult: acquisitions of us by means of a tender offer, a proxy contest, or otherwise, or removal of our directors. These provisions may also have the effect of preventing changes in our executive team. It is possible that these provisions could make it more difficult to accomplish or could deter transactions that stockholders may otherwise consider to be in their best interest or in our best interests, including transactions that might result in a premium over the market price for the shares of our Class A common stock.

These provisions are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with us. We believe that the benefits of increased protection and our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging these proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

Stockholder Meetings

Our certificate of incorporation and bylaws will provide that annual stockholder meetings will be held at a date, time, and place, if any, as exclusively selected by our board of directors. Prior to the Trigger Date (as defined below) special meetings of the stockholders of our company may be called only by the Chairman of the board of directors and by our board of directors and shall be called by the Chairman of our board of directors or by the Secretary at the request of our Principal Stockholder. From and after the Trigger Date, our certificate of incorporation and bylaws will provide that special meetings of the stockholders may be called only by the Chairman of our board of directors or by our board of directors. “Trigger Date” means the first date on which the Principal Stockholder (including its permitted transferees under the stockholder’s agreement) ceases to beneficially own (directly or indirectly) at least 50% of the shares of our outstanding Class A common stock and Class B-1 common stock.

Stockholder Action by Written Consent

Our certificate of incorporation will provide that from and after the Trigger Date, any action by stockholders must be taken only at an annual meeting or special meeting rather than by a written consent of the stockholders, subject to the rights of any series of preferred stock with respect to such rights (prior to the Trigger Date, any action required or permitted to be taken at any annual meeting or special meeting may be taken without a meeting, without prior notice and without a vote of stockholders, if a consent or consents in writing, setting forth the action so taken, is or are signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted).

Board of Directors

Our certificate of incorporation will provide that our board of directors will be divided into three classes, each class serving three-year staggered terms. Our board of directors will have the exclusive power to fix the number of directors in each class. In addition, the stockholder’s agreement will give our

Principal Stockholder the right to designate a certain number of nominees for election to our board of directors and certain committee nomination and observer rights so long as the Principal Stockholder does not sell below, or beneficially owns (directly or indirectly), as applicable, a specified percentage of our outstanding Class A common stock and Class B-1 common stock. Please read “Management—Board of Directors and Committees—Composition of Our Board of Directors After This Offering.”

Prior to the Trigger Date, any director may be removed at any time, with or without cause, by the holders of at least a majority of the voting power of the outstanding shares of our common stock entitled to vote on the election and removal of directors in the manner permitted by the stockholder’s agreement. In all other cases and at any other time, our certificate of incorporation will provide that directors may only be removed from our board of directors only for cause and only by the affirmative vote of the holders of at least a majority of the voting power of the stock outstanding and entitled to vote on the election and removal of directors. Except in the case of a vacancy arising with respect to a director designated by our Principal Stockholder, our board of directors will have the sole power to fill any vacancy on our board of directors, whether such vacancy occurs as a result of an increase in the number of directors or otherwise.

Supermajority Provisions

Our certificate of incorporation and our bylaws will provide that the board of directors is expressly authorized to adopt, make, alter, amend or repeal our bylaws. From and after the Trigger Date, any adoption, alteration, amendment or repeal of our bylaws by our stockholders will require the affirmative vote of holders of at least 66 2/3% of the voting power of our outstanding common stock entitled to vote thereon. In addition, our certificate of incorporation will provide that from and after the Trigger Date, certain articles of the certificate of incorporation, including those relating to (i) the board size, classification, removal and vacancies, (ii) stockholder action by written consent, (iii) special meetings of stockholders, (iv) amendment of certificate and bylaws, (v) business combinations with interested stockholders, (vi) liability of directors, (vii) forum selection and (viii) waiver of corporate opportunity, may be amended only by a vote of at least 66 2/3% of the voting power of our outstanding common stock entitled to vote thereon.

Business Combination with Interested Stockholder

In general, Section 203 of the DGCL, an anti-takeover provision, prohibits a publicly held Delaware corporation from engaging in a business combination, such as a merger, with an interested stockholder, or person or group owning 15% or more of the corporation’s voting stock, for a period of three years following the date the person became an interested stockholder, unless (with certain exceptions) the business combination or the transaction in which the person became an interested stockholder is approved in the manner prescribed by the DGCL and Delaware Court of Chancery.

We intend to elect in our certificate of incorporation not to be subject to Section 203. Although our certificate of incorporation will contain provisions that have generally the same effect as Section 203, our Sponsors, our Principal Stockholder, 9314601 Canada Inc., their respective affiliates and successors, and their respective direct and indirect transferees will not be subject to such provisions regardless of the percentage of our voting stock owned by them.

No Cumulative Voting

The DGCL provides that stockholders are not entitled to the right to cumulative votes in the election of directors unless our certificate of incorporation provides otherwise. Our certificate of incorporation will not provide for cumulative voting.

Requirements for Advance Notification of Stockholder Meetings, Nominations, and Proposals

Our bylaws will establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of our board of directors or a committee of our board of directors. For any matter to be "properly brought" before a meeting, a stockholder will have to comply with advance notice requirements and provide us with certain information related to the stockholder giving the notice, the beneficial owner (if any) on whose behalf the nomination is made, and information about the proposal or nominee for election to our board of directors.

Forum Selection

Our certificate of incorporation will provide that, unless we select or consent in writing to the selection of another forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another state court or a federal court located within the State of Delaware) shall be the exclusive forum for any complaints asserting any "internal corporate claims," which include claims in the right of our company (i) that are based upon a violation of a duty by a current or former director, officer, employee, or stockholder in such capacity or (ii) as to which the DGCL confers jurisdiction upon the Court of Chancery. Further, unless we select or consent to the selection of an alternative forum, the federal district courts of the United States shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. Our exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act, and investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Any person or entity purchasing or otherwise acquiring an interest in any shares of our capital stock shall be deemed to have notice of and to have consented to the forum provisions in our certificate of incorporation. It is possible that a court could find our exclusive forum provision to be inapplicable or unenforceable. Although we believe this provision benefits us by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, the provision may have the effect of discouraging lawsuits against our directors and officers.

Provisions of Our Certificate of Incorporation Relating to Corporate Opportunities

Delaware law permits corporations to adopt provisions renouncing any interest or expectancy in certain opportunities that are presented to the corporation or its officers, directors, or stockholders. Our certificate of incorporation will, to the maximum extent permitted from time to time by Delaware law, renounce any interest or expectancy that we have in, or right to be offered an opportunity to participate in, specified business opportunities that are from time to time presented to certain of our directors or stockholders or their respective affiliates. Specifically, our certificate of incorporation will provide that, to the fullest extent permitted by law, none of our Principal Stockholder, our Sponsors, 9314601 Canada Inc., or any of their affiliates, including any directors designated for nomination and election to our board of directors by our Principal Stockholder under the Stockholder's Agreement (together, the "Identified Persons") will have any duty to refrain from (i) engaging in a corporate opportunity in the same or similar lines of business in which we or our affiliates now engage or propose to engage or (ii) otherwise competing with us or our affiliates. In addition, to the fullest extent permitted by law, in the event that any Identified Person acquires knowledge of a potential transaction or other business opportunity which may be a corporate opportunity for itself or himself or its or his affiliates or for us or our affiliates, such person will have no duty to communicate or offer such transaction or business opportunity to us or any of our affiliates and they may take any such opportunity for themselves or offer it to another person or entity. To the fullest extent permitted by law, a corporate opportunity shall not be deemed to be a potential corporate opportunity for our company if it is a business opportunity that (i) our company is neither financially or legally able, nor contractually permitted, to undertake, (ii) from its nature, is not in the line of our company's business or is of no practical advantage to our company, or (iii) is one in which our company has no interest or reasonable expectancy. To the fullest extent permitted by law, any person purchasing or otherwise acquiring or holding any interest in any shares of our capital stock will be deemed to have notice of and to have consented to the above-summarized provisions.

Dissenters' Rights of Appraisal and Payment

Under the DGCL, with certain exceptions, our stockholders will have appraisal rights in connection with a merger or consolidation of our company. Pursuant to the DGCL, stockholders who properly request and perfect appraisal rights in connection with such merger or consolidation will have the right to receive payment of the fair value of their shares as determined by the Delaware Court of Chancery.

Stockholders' Derivative Actions

Under the DGCL, any of our stockholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the stockholder bringing the action is a holder of our common stock at the time of the transaction to which the action relates or such stockholder's stock thereafter devolved by operation of law.

Limitations on Liability and Indemnification of Officers and Directors

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties, subject to certain exceptions. Our certificate of incorporation will include a provision that eliminates the personal liability of directors for monetary damages for any breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL. The effect of these provisions is to eliminate the rights of us and our stockholders, through stockholders' derivative suits on our behalf, to recover monetary damages from a director for breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior. However, exculpation does not apply to any director if the director has acted in bad faith, knowingly or intentionally violated the law, authorized illegal dividends or redemptions, or derived an improper benefit from his or her actions as a director.

Our bylaws will provide that we must indemnify and advance expenses to our directors and officers to the fullest extent authorized by the DGCL, subject to reimbursement in the event it is ultimately determined that the individual was not entitled to indemnification under the DGCL or the indemnification agreement. We also are expressly authorized to carry directors' and officers' liability insurance providing indemnification for our directors, officers, and certain employees for some liabilities. We believe that these indemnification and advancement provisions and insurance are useful to attract and retain qualified directors and executive officers. In addition, we intend to enter into separate indemnification agreements with our directors and certain other officers. Such indemnification agreements will provide, among other things, for indemnification to the fullest extent permitted by law and our bylaws against any and all expenses, liabilities, judgments, fines, penalties, and amounts paid in settlement of any claim, subject to certain exceptions contained in those agreements. The indemnification agreements will also provide for the advancement or payment of all expenses to the indemnitee and for the repayment to us if it is found that such indemnitee is not entitled to such indemnification under applicable law and our bylaws.

The limitation of liability, indemnification, and advancement provisions to be included in our certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

There is currently no pending material litigation or proceeding involving any of our directors, officers, or employees for which indemnification is sought.

Registration Rights

For a description of registration rights with respect to our Sponsors, please read “Certain Relationships and Related Party Transactions—Registration Rights Agreement.”

Transfer Agent and Registrar

The transfer agent and registrar for our Class A common stock is American Stock Transfer & Trust Company, LLC.

Listing

We have applied to list our Class A common stock for quotation on Nasdaq under the symbol “WOOF.”

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our Class A common stock. Future sales of our Class A common stock in the public market, or the availability of such shares for sale in the public market, could adversely affect the market price of our Class A common stock prevailing from time to time. As described below, only a limited number of shares will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of a substantial number of shares of our Class A common stock in the public market after such restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price of our Class A common stock at such time and our ability to raise equity-related capital at a time and price we deem appropriate.

Sales of Restricted Shares

After giving effect to the Corporate Conversion and the completion of this offering, we will have outstanding an aggregate of 219,224,140 shares of Class A common stock. Of these shares, all of the 48,000,000 shares of Class A common stock to be sold in this offering (or 55,200,000 shares assuming the underwriters exercise the option to purchase additional shares in full) will be freely tradable without restriction or further registration under the Securities Act, unless the shares of Class A common stock are held by any of our "affiliates" as such term is defined in Rule 144 under the Securities Act. All remaining shares of Class A common stock will be deemed "restricted securities" as such term is defined under Rule 144. The restricted securities were, or will be, issued and sold by us in private transactions and are eligible for public sale only if registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 or Rule 701 under the Securities Act, which rules are summarized below.

As a result of the lock-up agreements described below and the provisions of Rule 144 and Rule 701 under the Securities Act, all of our Class A common stock (excluding our Class A common stock to be sold in this offering) will be available for sale in the public market upon the expiration of the lock-up agreements, beginning 180 days after the date of this prospectus (subject to extension) and when permitted under Rule 144 or Rule 701.

Lock-up Agreements

We, all of our directors and executive officers, and certain affiliates will agree not to sell any Class A common stock or securities convertible into or exchangeable for shares of our Class A common stock for a period of 180 days from the date of this prospectus, subject to certain exceptions.

Rule 144

In general, under Rule 144 under the Securities Act as currently in effect, a person (or persons whose shares are aggregated) who is not deemed to have been an affiliate of ours at any time during the three months preceding a sale, and who has beneficially owned restricted securities within the meaning of Rule 144 for at least six months (including any period of consecutive ownership of preceding non-affiliated holders) would be entitled to sell those shares, subject only to the availability of current public information about us. A non-affiliated person who has beneficially owned restricted securities within the meaning of Rule 144 for at least one year would be entitled to sell those shares without regard to the provisions of Rule 144.

A person (or persons whose shares are aggregated) who is deemed to be an affiliate of ours and who has beneficially owned restricted securities within the meaning of Rule 144 for at least six months would be entitled to sell within any three-month period a number of shares that does not exceed the greater of 1% of the then-outstanding shares of our Class A common stock or the average weekly trading volume of our Class A common stock reported through Nasdaq during the four calendar weeks preceding the filing of notice of the sale. Such sales are also subject to certain manner of sale provisions, notice requirements, and the availability of current public information about us.

Rule 701

In general, under Rule 701 under the Securities Act, any of our employees, directors, officers, consultants, or advisors who purchases shares from us in connection with a compensatory stock or option plan or other written agreement before the effective date of this offering is entitled to sell such shares 90 days after the effective date of this offering in reliance on Rule 144, without having to comply with the holding period requirement of Rule 144 and, in the case of non-affiliates, without having to comply with the public information, volume limitation, or notice filing provisions of Rule 144. The SEC has indicated that Rule 701 will apply to typical stock options granted by an issuer before it becomes subject to the reporting requirements of the Exchange Act, along with the shares acquired upon exercise of such options, including exercises after the date of this prospectus.

Stock Issued Under Employee Plans

We intend to file a registration statement on Form S-8 under the Securities Act to register Class A common stock issuable under the 2021 Plan and ESPP. This registration statement on Form S-8 is expected to be filed following the effective date of the registration statement of which this prospectus is a part and will be effective upon filing. Accordingly, shares registered under such registration statement will be available for sale in the open market following the effective date, unless such shares are subject to vesting restrictions with us, Rule 144 restrictions applicable to our affiliates, or the lock-up restrictions described above.

Registration Rights Agreement

In connection with the completion of this offering, we will enter into a registration rights agreement with the Principal Stockholder. Please read “Certain Relationships and Related Party Transactions—Registration Rights Agreement.”

Stockholder’s Agreement

In connection with the completion of this offering, we will enter into a stockholder’s agreement with an entity controlled by our Sponsors. Please read “Certain Relationships and Related Party Transactions—Stockholder’s Agreement.”

CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following is a general discussion of certain U.S. federal income tax considerations with respect to the ownership and disposition of our Class A common stock applicable to non-U.S. Holders who acquire such shares in this offering and hold such shares as a capital asset (generally, property held for investment). For purposes of this discussion, a "non-U.S. Holder" generally means a beneficial owner of our Class A common stock that is not or is not treated as, for U.S. federal income tax purposes, a partnership or any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is includible in gross income for U.S. federal income tax purposes, regardless of its source; or
- a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more "United States persons" (as defined in the Internal Revenue Code of 1986, as amended (the "Code")) have the authority to control all substantial decisions of the trust or (b) such trust has in effect a valid election to be treated as a U.S. person for U.S. federal income tax purposes.

This discussion is based on current provisions of the Code, Treasury regulations promulgated thereunder, judicial opinions, published positions of the Internal Revenue Service (the "IRS"), and other applicable authorities, all of which are subject to change or differing interpretations (possibly with retroactive effect). This discussion does not address all aspects of U.S. federal income taxation that may be important to a particular non-U.S. Holder in light of that non-U.S. Holder's circumstances, including Medicare taxes imposed on net investment income and the alternative minimum tax, nor does it address any aspect of U.S. federal taxation other than U.S. federal income taxation (such as U.S. federal estate and gift taxation) or state, local, or non-U.S. taxation. This discussion does not address tax considerations applicable to investors that may be subject to special treatment under the U.S. federal income tax laws, such as:

- banks, insurance companies, and other financial institutions;
- tax-exempt entities;
- brokers, dealers, or traders in securities or foreign currencies;
- controlled foreign corporations and corporations that accumulate earnings to avoid U.S. federal income tax;
- passive foreign investment companies;
- persons that hold our Class A common stock as part of a straddle, hedge, conversion transaction, or other integrated investment;
- persons required to accelerate the recognition of any item of gross income with respect to our Class A common stock as a result of such income being included in an applicable financial statement;
- entities or arrangements treated as partnerships for U.S. federal income tax purposes and investors therein;
- persons that own or are deemed to own, actually or constructively, more than 5% of our Class A common stock for U.S. federal income tax purposes (except as described below under "—Gain on Sale or Other Taxable Disposition of Class A Common Stock");
- persons deemed to sell our Class A common stock under the constructive sale provisions of the Code;

- persons who hold or receive our Class A common stock pursuant to the exercise of any employee stock option or otherwise as compensation;
- tax-qualified retirement plans;
- "qualified foreign pension funds" as defined in Section 897(l)(2) of the Code and entities all of the interests of which are held by qualified foreign pension funds; and
- U.S. expatriates and former citizens or long-term residents of the United States.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds our Class A common stock, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partners of a partnership considering an investment in our Class A common stock should consult their tax adviser as to the particular U.S. federal income tax consequences applicable to them of the ownership and disposition of our Class A common stock.

We have not sought, and will not seek, any ruling from the IRS with respect to the tax consequences discussed herein, and there can be no assurance that the IRS will not take a position contrary to the tax consequences discussed below or that any position taken by the IRS would not be sustained.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. EACH NON-U.S. HOLDER SHOULD CONSULT ITS TAX ADVISER REGARDING THE U.S. FEDERAL, STATE, LOCAL, AND NON-U.S. INCOME AND OTHER TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF OUR CLASS A COMMON STOCK.

Dividends

As described in the section entitled "Dividend Policy," we do not anticipate declaring or paying dividends to holders of our common stock in the foreseeable future. However, in general, any distributions we make to a non-U.S. Holder with respect to such holder's shares of our Class A common stock that constitute dividends for U.S. federal income tax purposes will be subject to U.S. withholding tax at a rate of 30% of the gross amount, unless the non-U.S. Holder is eligible for a reduced rate of withholding tax under an applicable tax treaty and the non-U.S. Holder provides proper certification of its eligibility for such reduced rate (including providing a valid IRS Form W-8BEN or W-8BEN-E (or other applicable documentation)) to us or our paying agent prior to the payment of dividends. If a non-U.S. Holder holds stock through a financial institution or other agent acting on the non-U.S. Holder's behalf, the non-U.S. Holder will be required to provide appropriate documentation to such agent. The non-U.S. Holder's agent will then be required to provide such certification to us or our paying agent, either directly or through other intermediaries. A non-U.S. Holder that does not timely furnish the required documentation, but that qualifies for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders should consult their tax adviser regarding their entitlement to benefits under any applicable income tax treaty. A distribution will constitute a dividend for U.S. federal income tax purposes to the extent of our current or accumulated earnings and profits as determined for U.S. federal income tax purposes. Any distribution not constituting a dividend will be treated first as reducing the adjusted basis in the non-U.S. Holder's shares of our Class A common stock and, to the extent it exceeds the adjusted basis in the non-U.S. Holder's shares of our Class A common stock, as gain from the sale or exchange of such stock and will be treated as described below under "—Gain on Sale or Other Taxable Disposition of Class A Common Stock."

Dividends we pay to a non-U.S. Holder that are effectively connected with its conduct of a trade or business within the United States will not be subject to U.S. withholding tax, as described above, if the non-U.S. Holder complies with applicable certification and disclosure requirements (including providing a valid IRS Form W-8ECI). Instead, unless an applicable tax treaty provides otherwise, such dividends generally will be subject to U.S. federal income tax on a net income basis, in the same manner as if the non-U.S. Holder were a United States person for U.S. federal income tax purposes. In addition, if the non-U.S. Holder receiving effectively connected dividends is an entity treated as a corporation for U.S. federal income tax purposes, such holder's effectively connected earnings and profits (subject to adjustments) may be subject to a U.S. federal branch profits tax at a rate of 30% (or such lower rate as may be specified by an applicable tax treaty). Non-U.S. Holders should consult their tax adviser regarding any applicable income tax treaties that may provide for different rules.

Any distributions we make to a non-U.S. Holder with respect to such holder's shares of our Class A common stock will also be subject to the rules discussed below under the headings "Backup Withholding, Information Reporting and Other Reporting Requirements" and "Foreign Account Tax Compliance Act."

Gain on Sale or Other Taxable Disposition of Class A Common Stock

In general, subject to the discussions below under the headings "Backup Withholding, Information Reporting and Other Reporting Requirements" and "Foreign Account Tax Compliance Act," a non-U.S. Holder will not be subject to U.S. federal income tax on any gain recognized upon the sale or other taxable disposition of the non-U.S. Holder's shares of our Class A common stock unless:

- the gain is effectively connected with a trade or business carried on by the non-U.S. Holder within the United States;
- the non-U.S. Holder is an individual and is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are met; or
- we are or have been a U.S. real property holding corporation (a "USRPHC") for U.S. federal income tax purposes at any time within the shorter of the five-year period preceding such disposition or such non-U.S. Holder's holding period in such shares (the "Relevant Period").

Unless an applicable tax treaty provides otherwise, gain that is effectively connected with the conduct of a trade or business in the United States (or so treated) will generally be subject to U.S. federal income tax on a net basis, in the same manner as if the non-U.S. Holder were a United States person for U.S. federal income tax purposes. In addition, if the non-U.S. Holder realizing the gain is a corporation, the branch profits tax described above also may apply to such holder's effectively connected earnings and profits (subject to adjustments).

An individual non-U.S. Holder who is subject to U.S. federal income tax because the non-U.S. Holder was present in the United States for 183 days or more during the year of sale or other taxable disposition of our Class A common stock will generally be subject to a flat 30% tax on the gain recognized on such disposition, which may be offset by certain U.S.-source capital losses (assuming certain requirements are met, including timely filing of U.S. federal income tax returns with respect to such losses).

Generally, a corporation is a USRPHC if the fair market value of its United States real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests and its other assets used or held for use in a trade or business. We do not believe that we are, and do not anticipate that we will become, a USRPHC for U.S. federal income tax purposes. Even if we are or become a USRPHC, as long as our Class A common stock continues to be regularly traded on an established securities market in the United States within the meaning of applicable Treasury regulations, a non-U.S. Holder will not be subject to U.S. federal income tax on any gain recognized as a result of the disposition of our Class A common stock if such non-U.S. Holder has not held (actually or constructively) more than 5% of our outstanding Class A common stock at any time within the Relevant Period. If we are or become a USRPHC and a non-U.S. Holder has held (actually or constructively) more than 5% of our outstanding Class A common stock at any time within the Relevant Period, then (A) such non-U.S. Holder will generally be subject to tax on the net gain derived from the disposition on a net basis, in the same manner as if the non-U.S. Holder were a United States person for U.S. federal income tax purposes, unless an applicable income tax treaty provides otherwise, and (B) a purchaser may be required to withhold 15% of the proceeds payable to such non-U.S. Holder from a sale or other taxable disposition of our Class A common stock. Non-U.S. Holders should consult their tax advisers regarding the application of these rules to them, including if we are or become a USRPHC.

Non-U.S. Holders should consult their tax adviser regarding the application of these rules to them, and any potentially applicable income tax treaties that may provide for different rules than those set forth in this discussion.

Backup Withholding, Information Reporting, and Other Reporting Requirements

We must report annually to the IRS, and to each non-U.S. Holder, the amount of distributions paid to, and the tax withheld with respect to, each non-U.S. Holder. These reporting requirements apply regardless of whether such distributions constitute dividends or whether withholding was reduced or eliminated by an applicable tax treaty. Copies of this information reporting may also be made available under the provisions of a specific tax treaty or agreement with the tax authorities in the country in which the non-U.S. Holder resides or is established.

A non-U.S. Holder will generally be subject to backup withholding for dividends on our Class A common stock paid to such holder, unless such non-U.S. Holder certifies under penalties of perjury that, among other things, it is a non-U.S. Holder, and otherwise complies with all applicable legal requirements.

Information reporting and backup withholding generally are not required with respect to the amount of any proceeds from the sale or other disposition of our Class A common stock by a non-U.S. Holder outside the United States through a foreign office of a foreign broker that does not have certain specified connections to the United States. However, if a non-U.S. Holder sells or otherwise disposes of its shares of our Class A common stock through a U.S. broker or the U.S. office of a foreign broker, the broker will generally be required to report the amount of proceeds paid to the non-U.S. Holder to the IRS and also backup withhold on that amount, unless such non-U.S. Holder provides appropriate certification to the broker of its status as a non-U.S. person or otherwise establishes an exemption. Information reporting will also apply if a non-U.S. Holder sells its shares of our Class A common stock through a foreign broker deriving more than a specified percentage of its income from U.S. sources or having certain other connections to the United States, unless such broker has documentary evidence in its records that such non-U.S. Holder is a non-U.S. person and certain other conditions are met, or such non-U.S. Holder otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a non-U.S. Holder generally can be credited against the non-U.S. Holder's U.S. federal income tax liability, if any, or refunded, provided that the required information is furnished to the IRS in a timely manner. Non-U.S. Holders should consult their tax advisers regarding the application of the information reporting and backup withholding rules to them.

Foreign Account Tax Compliance Act

Withholding taxes may be imposed under Sections 1471 to 1474 of the Code, the Treasury regulations promulgated thereunder and other official guidance (commonly referred to as "FATCA") on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on, or (subject to the proposed Treasury Regulations discussed below) gross proceeds from the sale or other disposition of, our Class A common stock paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code and whether such institution or entity is the beneficial owner or an intermediary), unless those entities comply with certain requirements under the Code and applicable Treasury regulations, which requirements may be modified by an “intergovernmental agreement” entered into between the United States and an applicable foreign country. Future Treasury regulations or other official guidance may modify these requirements.

Pursuant to recently proposed regulations, the Treasury Department has indicated its intent to eliminate the requirements under FATCA of withholding on gross proceeds from the sale or other disposition of certain financial instruments (which would include our stock). The Treasury Department has indicated that taxpayers may rely on these proposed regulations pending their finalization. There can be no assurance that final regulations would provide an exemption from withholding taxes under FATCA for gross proceeds from the disposition of property such as our Class A common stock.

Any applicable FATCA withholding tax will apply to all withholdable payments without regard to whether the beneficial owner of the payment would otherwise be entitled to an exemption from imposition of withholding tax pursuant to an applicable tax treaty with the United States or U.S. domestic law. Prospective investors should consult their tax advisers regarding the potential application of withholding under FATCA to their investment in our Class A common stock.

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UNDERWRITING (CONFLICTS OF INTEREST)

We and the underwriters named below have entered into an underwriting agreement with respect to our Class A common stock being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman Sachs & Co. LLC and BofA Securities, Inc. are the representatives of the underwriters.

Underwriters	Number of Shares
Goldman Sachs & Co. LLC	
BofA Securities, Inc.	
Citigroup Global Markets Inc.	
Evercore Group L.L.C.	
Credit Suisse Securities (USA) LLC	
UBS Securities LLC	
Wells Fargo Securities, LLC	
Robert W. Baird & Co. Incorporated	
Guggenheim Securities LLC	
AmeriVet Securities, Inc.	
C.L. King & Associates, Inc.	
R. Seelaus & Co., LLC	
Samuel A. Ramirez & Company, Inc.	
Siebert Williams Shank & Co., LLC	
Total	48,000,000

The underwriters are committed to take and pay for all of the shares of our Class A common stock being offered, if any are taken, other than the shares covered by the option described below unless and until this option is exercised.

The underwriters have an option to buy up to an additional 7,200,000 shares from us to cover sales by the underwriters of a greater number of shares than the total number set forth in the table above. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by us. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase 7,200,000 additional shares.

Paid by Petco

	No Exercise	Full Exercise
Per Share	$	$
Total	$	$

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to $ per share from the initial public offering price. After the initial offering of our Class A common stock, the representatives may change the offering price and the other selling terms. The offering of our Class A common stock by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

We and our officers, directors, and holders of substantially all of the shares of our Class A common stock have agreed or will agree with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their Class A common stock or securities convertible into or exchangeable for shares of our Class A common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of Goldman Sachs & Co. LLC and BofA Securities, Inc. This agreement does not apply to any existing employee benefit plans. Please read "Shares Eligible for Future Sale" for a discussion of certain transfer restrictions.

Prior to the offering, there has been no public market for the shares of Class A common stock. The initial public offering price will be negotiated between us and the representatives. Among the factors to be considered in determining the initial public offering price of our Class A common stock, in addition to prevailing market conditions, will be our historical performance, estimates of our business potential and earnings prospects, an assessment of our management, and the consideration of the above factors in relation to market valuation of companies in related businesses.

We estimate that our share of the total expenses of this offering, excluding underwriting discounts and commissions, will be approximately $8 million. We have agreed to reimburse the underwriters for certain expenses in an amount up to $35,000.

An application has been made to list the Class A common stock on Nasdaq under the symbol "WOOF." In order to meet one of the requirements for listing the Class A common stock on Nasdaq, the underwriters have undertaken to sell lots of 100 or more shares to a minimum of 400 beneficial holders.

In connection with this offering, the underwriters may purchase and sell shares of our Class A common stock in the open market. These transactions may include short sales, stabilizing transactions, and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in this offering, and a short position represents the amount of such sales that have not been covered by subsequent purchases. A "covered short position" is a short position that is not greater than the amount of additional shares for which the underwriters' option described above may be exercised. The underwriters may cover any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to cover the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase additional shares pursuant to the option described above. "Naked" short sales are any short sales that create a short position greater than the amount of additional shares for which the option described above may be exercised. The underwriters must cover any such naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the Class A common stock in the open market after pricing that could adversely affect investors who purchase in this offering. Stabilizing transactions consist of various bids for or purchases of Class A common stock made by the underwriters in the open market prior to the completion of this offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of our Class A common stock, and together with the imposition of the penalty bid, may stabilize, maintain, or otherwise affect the market price of the Class A common stock. As a result, the price of the Class A common stock may be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in these activities and may end any of these activities at any time. These transactions may be effected on Nasdaq, in the over-the-counter market or otherwise.

Directed Share Program

At our request, affiliates of BofA Securities, Inc., a participating underwriter, has reserved for sale, at the initial public offering price, up to 5% of the shares offered by this prospectus for sale to certain of our directors, officers, employees, business associates, and related persons. Any shares purchased by our directors, or officers pursuant to our directed share program will be subject to the lock-up agreements described above. If these persons purchase reserved shares it will reduce the number of shares available for sale to the general public. Any reserved shares that are not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered by this prospectus.

Relationships

The underwriters and their respective affiliates are full-service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage, and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the issuer and to persons and entities with relationships with the issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell, or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities, and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas, and/or publish or express independent research views in respect of such assets, securities, or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities, and instruments.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make because of any of those liabilities. Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

Conflicts of Interest

The GS Noteholders hold a portion of the Floating Rate Senior Notes. The GS Noteholders receive interest payments and, upon the redemption of the Floating Rate Notes, will receive a pro rata portion of the redemption payment. As described in “Use of Proceeds,” the GS Noteholders will receive 5% or more of the net proceeds of this offering. Therefore, such underwriter is deemed to have a conflict of interest within the meaning of FINRA Rule 5121. Accordingly, this offering is being conducted in compliance with Rule 5121, which requires, among other things, that a “qualified independent underwriter” participate in the preparation of, and exercise the usual standards of “due diligence” with respect to, the registration statement and this prospectus. BofA has agreed to act as a qualified independent underwriter for this offering and to undertake the legal responsibilities and liabilities of an underwriter under the Securities Act, specifically including those inherent in Section 11 thereof. BofA will not receive any additional fees for serving as a qualified independent underwriter in connection with this offering. We have agreed to indemnify BofA against liabilities incurred in connection with acting as a qualified independent underwriter, including liabilities under the Securities Act. Pursuant to Rule 5121, Goldman, Sachs & Co. LLC will not confirm any sales to any account over which it exercises discretionary authority without the specific written approval of the account holder. Please read “Use of Proceeds” for additional information.

Selling Restrictions

European Economic Area & The United Kingdom

In relation to each Member State of the European Economic Area (each a "Member State"), no offer of Class A shares of our common stock (the "Shares") may be made to the public in that Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the representatives; or

(c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation, provided that no such offer of Shares shall require our company or any of the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation and each person who initially acquires any Shares or to whom any offer is made will be deemed to have represented, acknowledged, and agreed to and with each of the representatives and our company that it is a qualified investor as defined in the Prospectus Regulation.

In the case of any Shares being offered to a financial intermediary as that term is used in Article 5 of the Prospectus Regulation, each financial intermediary will be deemed to have represented, acknowledged, and agreed that the Shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Shares to the public, other than their offer or resale in a Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

For the purposes of this provision, the expression an "offer to the public" in relation to any Shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase Shares, and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129 (as amended).

This European Economic Area selling restriction is in addition to any other selling restrictions set out below.

United Kingdom

In the United Kingdom, this prospectus is only addressed to and directed at qualified investors who are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order); or (ii) high net worth entities and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this prospectus relates is available only to relevant persons and will only be engaged in with relevant persons. Any person who is not a relevant person should not act or rely on this prospectus or any of its contents.

Canada

The securities may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are "accredited investors," as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are "permitted clients," as defined in National Instrument 31-103 Registration Requirements, Exemptions, and Ongoing Registrant Obligations. Any resale of the securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Hong Kong

The shares may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) (the "Companies (Winding Up and Miscellaneous Provisions) Ordinance") or which do not constitute an invitation to the public within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "Securities and Futures Ordinance"), (ii) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" in Hong Kong as defined in the Securities and Futures Ordinance and any rules made thereunder.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined under Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA")) under Section 274 of the SFA, (ii) to a "relevant person" (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to conditions set forth in the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is a corporation (which is not an "accredited investor" (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, the "securities" (as defined in Section 239(1) of the SFA) of that corporation shall not be transferable for six months after that corporation has acquired the shares under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a "relevant person" (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer in that corporation's securities pursuant to Section 275(1A) of the SFA, (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore ("Regulation 32"). Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is a trust (where the trustee is not an “accredited investor” (as defined in Section 4A of the SFA)) whose sole purpose is to hold investments and each beneficiary of the trust is an accredited investor, the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferable for six months after that trust has acquired the shares under Section 275 of the SFA except: (1) to an institutional investor under Section 274 of the SFA or to a “relevant person” (as defined in Section 275(2) of the SFA), (2) where such transfer arises from an offer that is made on terms that such rights or interest are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction (whether such amount is to be paid for in cash or by exchange of securities or other assets), (3) where no consideration is or will be given for the transfer, (4) where the transfer is by operation of law, (5) as specified in Section 276(7) of the SFA, or (6) as specified in Regulation 32.

Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “FIEA”). The securities may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws and regulations of Japan.

Switzerland

We have not and will not register with the Swiss Financial Market Supervisory Authority (“FINMA”) as a foreign collective investment scheme pursuant to Article 119 of the Federal Act on Collective Investment Scheme of 23 June 2006, as amended (“CISA”), and accordingly the securities being offered pursuant to this prospectus have not and will not be approved, and may not be licenseable, with FINMA. Therefore, the securities have not been authorized for distribution by FINMA as a foreign collective investment scheme pursuant to Article 119 CISA and the securities offered hereby may not be offered to the public (as this term is defined in Article 3 CISA) in or from Switzerland. The securities may solely be offered to “qualified investors,” as this term is defined in Article 10 CISA, and in the circumstances set out in Article 3 of the Ordinance on Collective Investment Scheme of 22 November 2006, as amended (“CISO”), such that there is no public offer. Investors, however, do not benefit from protection under CISA or CISO or supervision by FINMA. This prospectus and any other materials relating to the securities are strictly personal and confidential to each offeree and do not constitute an offer to any other person. This prospectus may only be used by those qualified investors to whom it has been handed out in connection with the offer described herein and may neither directly or indirectly be distributed or made available to any person or entity other than its recipients. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in Switzerland or from Switzerland. This prospectus does not constitute an issue prospectus as that term is understood pursuant to Article 652a and/or 1156 of the Swiss Federal Code of Obligations. We have not applied for a listing of the securities on the SIX Swiss Exchange or any other regulated securities market in Switzerland, and consequently, the information presented in this prospectus does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange.

Dubai International Financial Centre

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the “DFSA”). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The shares to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the shares offered should conduct their own due diligence on the shares. If you do not understand the contents of this prospectus, you should consult an authorized financial advisor.

Australia

No placement document, prospectus, product disclosure statement, or other disclosure document has been lodged with the Australian Securities and Investments Commission in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement, or other disclosure document under the Corporations Act 2001 (the “Corporations Act”), and does not purport to include the information required for a prospectus, product disclosure statement, or other disclosure document under the Corporations Act.

Any offer in Australia of the shares may only be made to persons (the “Exempt Investors”) who are “sophisticated investors” (within the meaning of section 708(8) of the Corporations Act), “professional investors” (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the shares without disclosure to investors under Chapter 6D of the Corporations Act.

The shares applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring shares must observe such Australian on-sale restrictions.

This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any securities recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives, and circumstances, and, if necessary, seek expert advice on those matters.

Mexico

The shares have not been registered with the National Securities Registry (*Registro Nacional de Valores*) or reviewed or authorized by the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores*) of Mexico or listed in any Mexican securities exchange. Any Mexican investor who acquires shares does so at his or her own risk. The shares will be initially placed with less than 100 persons in Mexico. Once placed, the shares can be resold exclusively to persons that qualify as qualified investors or institutional investors pursuant to applicable provisions of Mexican law.

LEGAL MATTERS

The validity of the shares of Petco Class A common stock offered by this prospectus will be passed upon for us by Gibson, Dunn & Crutcher LLP, New York, New York. Certain legal matters in connection with this offering will be passed upon for the underwriters by Latham & Watkins LLP, New York, New York.

EXPERTS

Ernst & Young LLP, independent registered public accounting firm, has audited our consolidated financial statements at February 1, 2020, February 2, 2019, and October 31, 2020 and for the years ended February 1, 2020 and February 2, 2019, and for the thirty-nine week period ended October 31, 2020, as set forth in their report. We have included our consolidated financial statements in the prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

CHANGE IN AUDITOR

On July 17, 2020, our Audit Committee approved the appointment of Ernst & Young LLP ("Ernst & Young") as the independent registered public accounting firm for Petco Holdings, Inc. LLC, our consolidated, wholly owned subsidiary ("Petco Holdings"), to audit Petco Holdings' consolidated financial statements under PCAOB standards as of and for the fiscal years ended February 2, 2019 and February 1, 2020. On September 30, 2020, the appointment was updated to reflect Ernst & Young as the independent registered public accounting firm for PET Acquisition LLC. KPMG LLP ("KPMG") had previously audited, in accordance with American Institute of Certified Public Accountant standards, the consolidated financial statements of Petco Holdings as of and for the fiscal years ended February 2, 2019 and February 1, 2020. We informed KPMG on July 6, 2020 that it would be dismissed as the auditor of Petco Holdings. KPMG was never engaged to audit any of PET Acquisition LLC's consolidated financial statements.

The audit reports of KPMG on Petco Holdings' consolidated financial statements as of and for the fiscal years ended February 2, 2019 and February 1, 2020 did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainties, audit scope or accounting principles.

During the fiscal years ended February 2, 2019 and February 1, 2020 and the subsequent interim period through the date of KPMG's dismissal as Petco Holdings' auditor, there were no "disagreements" (as defined in Item 304(a)(1)(iv) of Regulation S-K under the Exchange Act) between Petco Holdings and KPMG on any matter of accounting principles or practices, financial disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of KPMG would have caused it to make reference to the subject matter of the disagreements in its reports on Petco Holdings' consolidated financial statements for such fiscal years.

During the fiscal years ended February 2, 2019 and February 1, 2020 and the subsequent interim period through the date of KPMG's dismissal as Petco Holdings' auditor, there were no "reportable events" (as defined in Item 304(a)(1)(v) of Regulation S-K under the Exchange Act).

During the fiscal years ended February 2, 2019 and February 1, 2020 and the subsequent interim period through the date of KPMG's dismissal as Petco Holdings' auditor, we did not consult with Ernst & Young regarding the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on Petco Holdings' consolidated financial statements, and no written report or oral advice was provided that Ernst & Young concluded was an important factor considered by us in reaching a decision as to the accounting, auditing, or financial reporting issue for Petco Holdings.

We have provided KPMG with a copy of the disclosure set forth in this section and requested that KPMG furnish us with a letter addressed to the SEC stating whether or not KPMG agrees with the statements made herein, each as required by applicable SEC rules. A copy of KPMG's letter, dated November 20, 2020, is attached hereto as Exhibit 16.1.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act relating to the shares of our Class A common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules thereto. For more information regarding us and the shares of our Class A common stock offered by this prospectus, we refer you to the full registration statement, including the exhibits and schedules filed therewith. This prospectus summarizes provisions that we consider material of certain contracts and other documents to which we refer you. Because the summaries may not contain all of the information that you may find important, you should review the full text of those documents.

The SEC maintains a website at www.sec.gov that contains reports, information statements, and other information regarding issuers that file electronically with the SEC. Our registration statement, of which this prospectus constitutes a part, can be downloaded from the SEC's website. As a result of this offering, we will become subject to the full information requirements of the Exchange Act and will file with or furnish to the SEC periodic reports and other information. We intend to furnish or make available to our stockholders annual reports containing our audited financial statements prepared in accordance with GAAP. We also intend to furnish or make available to our stockholders quarterly reports containing our unaudited interim financial information, including the information required by Form 10-Q, for the first three fiscal quarters of each fiscal year. Following the completion of this offering, our website will be located at www.petco.com. We intend to make our periodic reports and other information filed with or furnished to the SEC available, free of charge, through our website, as soon as reasonably practicable after those reports and other information are electronically filed with or furnished to the SEC. Information on our website or any other website is not incorporated by reference into this prospectus and does not constitute a part of this prospectus.

PET ACQUISITION LLC

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

PET ACQUISITION LLC

Report of Independent Registered Public Accounting Firm

To the Members and the Board of Managers of PET Acquisition LLC

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of PET Acquisition LLC (the Company) as of February 1, 2020, February 2, 2019, and October 31, 2020, the related consolidated statements of loss and comprehensive loss, members' equity and cash flows for the years ended February 1, 2020 and February 2, 2019, and for the thirty-nine week period ended October 31, 2020, and the related notes and the financial statement schedule listed in the Index at Item 16(b) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at February 1, 2020, February 2, 2019, and October 31, 2020, and the results of its operations and its cash flows for the years ended February 1, 2020 and February 2, 2019, and for the thirty-nine week period ended October 31, 2020, in conformity with U.S. generally accepted accounting principles.

Adoption of ASU No. 2016-02

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for leases in 2019 due to the adoption of ASU No. 2016-02, *Leases (Topic 842)* and related amendments.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2020.

San Diego, California
December 3, 2020

PET ACQUISITION LLC

CONSOLIDATED BALANCE SHEETS

(In thousands)

	February 1, 2020	February 2, 2019	October 31, 2020
ASSETS			
Current assets:			
Cash and cash equivalents	$ 148,785	$ 180,649	$ 195,832
Receivables, less allowance for credit losses ($1,982, $1,940 and $3,085, respectively)	31,516	27,879	40,454
Merchandise inventories, net	478,968	470,144	541,352
Prepaid expenses	24,854	48,762	38,007
Other current assets	26,882	34,174	57,950
Total current assets	711,005	761,608	873,595
Fixed assets, net	656,256	683,547	618,930
Operating lease right-of-use assets	1,459,604	—	1,377,682
Goodwill	2,179,310	2,176,290	2,179,310
Trade name	1,025,000	1,044,000	1,025,000
Other intangible assets, net	1,553	128,006	869
Other long-term assets	122,390	130,928	128,428
Total assets	$ 6,155,118	$ 4,924,379	$ 6,203,814
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable and book overdrafts	$ 293,203	$ 276,932	$ 347,789
Accrued salaries and employee benefits	93,685	94,267	129,288
Accrued expenses and other liabilities	148,181	143,917	182,502
Current portion of operating lease liabilities	278,229	—	246,319
Current portion of long-term debt and other lease liabilities	28,643	28,354	27,399
Total current liabilities	841,941	543,470	933,297
Senior secured credit facilities, net, excluding current portion	2,362,302	2,338,175	2,330,176
Senior notes, net	866,145	859,244	868,624
Operating lease liabilities, excluding current portion	1,156,742	—	1,127,717
Deferred taxes, net	265,276	304,203	272,821
Other long-term liabilities	101,651	241,378	125,562
Total liabilities	5,594,057	4,286,470	5,658,197
Commitments and contingencies (Notes 8, 9 and 16)			
Members' equity:			
Members' interest	1,358,130	1,347,622	1,365,490
Accumulated deficit	(780,466)	(707,518)	(800,790)
Accumulated other comprehensive loss	(8,273)	(2,195)	(6,251)
Total members' equity	569,391	637,909	558,449
Noncontrolling interest	(8,330)	—	(12,832)
Total equity	561,061	637,909	545,617
Total liabilities and equity	$ 6,155,118	$ 4,924,379	$ 6,203,814

See accompanying notes to consolidated financial statements.

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PET ACQUISITION LLC

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(In thousands, except per unit amounts)

	Fiscal years ended		Thirty-nine weeks ended	
	February 1, 2020 (52 weeks)	February 2, 2019 (52 weeks)	October 31, 2020	November 2, 2019 (unaudited)
Net sales	$ 4,434,514	$ 4,392,173	$ 3,582,489	$ 3,285,858
Cost of sales	2,527,995	2,487,334	2,045,016	1,877,237
Gross profit	1,906,519	1,904,839	1,537,473	1,408,621
Selling, general and administrative expenses	1,776,919	1,746,387	1,410,024	1,339,154
Goodwill and indefinite-lived intangible impairment	19,000	373,172	—	—
Operating income (loss)	110,600	(214,720)	127,449	69,467
Interest income	(335)	(420)	(332)	(201)
Interest expense	253,018	243,744	169,096	192,222
Loss on extinguishment of debt	—	460	—	—
Loss before income taxes and (income) loss from equity method investees	(142,083)	(458,504)	(41,315)	(122,554)
Income tax benefit	(35,658)	(45,840)	(13,537)	(28,263)
(Income) loss from equity method investees	(2,441)	1,124	(2,952)	(326)
Net loss	(103,984)	(413,788)	(24,826)	(93,965)
Net loss attributable to noncontrolling interest	(8,111)	—	(4,502)	(5,263)
Net loss attributable to members	(95,873)	(413,788)	(20,324)	(88,702)
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustment	952	(79)	(3,747)	(143)
Unrealized loss on derivatives	(9,088)	(3,434)	(77)	(9,030)
Losses on derivatives reclassified to income	2,058	1,215	5,846	694
Total other comprehensive (loss) income, net of tax	(6,078)	(2,298)	2,022	(8,479)
Comprehensive loss	(110,062)	(416,086)	(22,804)	(102,444)
Comprehensive loss attributable to noncontrolling interest	(8,111)	—	(4,502)	(5,263)
Comprehensive loss attributable to members	$ (101,951)	$ (416,086)	$ (18,302)	$ (97,181)
Loss per unit attributable to Common Series A and Common Series B members, basic and diluted	$ (0.07)	$ (0.28)	$ (0.01)	$ (0.06)
Weighted average units used in computing loss per unit attributable to Common Series A and Common Series B members	1,457,985	1,457,164	1,458,558	1,457,794

See accompanying notes to consolidated financial statements.

PET ACQUISITION LLC

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

(In thousands)

	Members' interest	Accumulated deficit	Accumulated other comprehensive income (loss)	Total members' equity	Noncontrolling interest	Total equity
Balance at February 3, 2018	$1,339,272	$ (295,337)	$ 1,710	$1,045,645	$ —	$1,045,645
Equity-based compensation expense (Note 13)	8,452	—	—	8,452	—	8,452
Repurchase of equity	(102)	—	—	(102)	—	(102)
Net loss	—	(413,788)	—	(413,788)	—	(413,788)
Foreign currency translation adjustment, net of tax of $(28)	—	—	(79)	(79)	—	(79)
Unrealized loss on derivatives, net of tax of $(1,211)	—	—	(3,434)	(3,434)	—	(3,434)
Losses on derivatives reclassified to income, net of tax of $427	—	—	1,215	1,215	—	1,215
Cumulative effect adjustments	—	1,607	(1,607)	—	—	—
Balance at February 2, 2019	1,347,622	(707,518)	(2,195)	637,909	—	637,909
Consolidation of joint venture	—	—	—	—	(462)	(462)
Equity-based compensation expense (Note 13)	9,489	—	—	9,489	—	9,489
Partial settlement of member note	1,019	—	—	1,019	—	1,019
Net loss	—	(95,873)	—	(95,873)	(8,111)	(103,984)
Contributions from noncontrolling interest	—	—	—	—	243	243
Foreign currency translation adjustment, net of tax of $335	—	—	952	952	—	952
Unrealized loss on derivatives, net of tax of $(3,184)	—	—	(9,088)	(9,088)	—	(9,088)
Losses on derivatives reclassified to income, net of tax of $721	—	—	2,058	2,058	—	2,058
Cumulative effect adjustments	—	22,925	—	22,925	—	22,925
Balance at February 1, 2020	$1,358,130	$ (780,466)	$ (8,273)	$ 569,391	$ (8,330)	$ 561,061

	Members' interest	Accumulated deficit	Accumulated other comprehensive loss	Total members' equity	Noncontrolling interest	Total equity
Balance at February 1, 2020	$1,358,130	$ (780,466)	$ (8,273)	$ 569,391	$ (8,330)	$561,061
Equity-based compensation expense (Note 13)	7,464	—	—	7,464	—	7,464
Repurchase of equity	(104)	—	—	(104)	—	(104)
Net loss	—	(20,324)	—	(20,324)	(4,502)	(24,826)
Foreign currency translation adjustment, net of tax of $(1,316)	—	—	(3,747)	(3,747)	—	(3,747)
Unrealized loss on derivatives, net of tax of $(27)	—	—	(77)	(77)	—	(77)
Losses on derivatives reclassified to income, net of tax of $2,052	—	—	5,846	5,846	—	5,846
Balance at October 31, 2020	$1,365,490	$ (800,790)	$ (6,251)	$ 558,449	$ (12,832)	$545,617

	Members' interest	Accumulated deficit	Accumulated other comprehensive loss	Total members' equity	Noncontrolling interest	Total equity
Balance at February 2, 2019	$1,347,622	$ (707,518)	$ (2,195)	$ 637,909	$ —	$637,909
Consolidation of joint venture (unaudited)	—	—	—	—	(462)	(462)
Equity-based compensation expense (unaudited) (Note 13)	7,002	—	—	7,002	—	7,002
Partial settlement of member note (unaudited)	1,019	—	—	1,019	—	1,019
Net loss (unaudited)	—	(88,702)	—	(88,702)	(5,263)	(93,965)
Contributions from noncontrolling interest (unaudited)	—	—	—	—	243	243
Foreign currency translation adjustment, net of tax of $(53) (unaudited)	—	—	(143)	(143)	—	(143)
Unrealized loss on derivatives, net of tax of $(3,193) (unaudited)	—	—	(9,030)	(9,030)	—	(9,030)
Losses on derivatives reclassified to income, net of tax of $247 (unaudited)	—	—	694	694	—	694
Cumulative effect adjustments (unaudited)	—	22,925	—	22,925	—	22,925
Balance at November 2, 2019 (unaudited)	$1,355,643	$ (773,295)	$ (10,674)	$ 571,674	$ (5,482)	$566,192

See accompanying notes to consolidated financial statements.

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PET ACQUISITION LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Fiscal years ended		Thirty-nine weeks ended	
	February 1, 2020 (52 weeks)	February 2, 2019 (52 weeks)	October 31, 2020	November 2, 2019 (unaudited)
Cash flows from operating activities:				
Net loss	$ (103,984)	$ (413,788)	$ (24,826)	$ (93,965)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	173,544	186,997	128,961	129,600
Amortization of debt discounts and issuance costs	23,455	22,588	18,291	17,494
Provision for deferred taxes	(45,087)	(51,748)	6,889	(26,305)
Equity-based compensation	9,489	8,452	7,464	7,002
Impairments, write-offs and losses on sale of fixed and other assets	11,871	17,677	7,651	9,256
Loss on extinguishment of debt	—	460	—	—
(Income) loss from equity method investees	(2,441)	1,124	(2,952)	(326)
Amounts reclassified out of accumulated other comprehensive income (loss) (Note 10)	2,806	1,642	7,898	939
Change in contingent consideration obligation	883	(4)	(425)	871
Goodwill and indefinite-lived intangible impairment	19,000	373,172	—	—
Non-cash operating lease costs	441,981	—	324,477	333,162
Changes in assets and liabilities:				
Receivables	(3,845)	23,630	(8,938)	(8,809)
Merchandise inventories	(8,193)	644	(63,313)	(48,438)
Prepaid expenses and other assets	(5,223)	9,663	(18,651)	(15,593)
Accounts payable and book overdrafts	15,928	23,771	54,523	(30,567)
Accrued salaries and employee benefits	(1,395)	18,006	34,100	8,409
Accrued expenses and other liabilities	(3,043)	(21,861)	7,654	(7,986)
Operating lease liabilities	(408,562)	—	(304,426)	(312,933)
Other long-term liabilities	(6,847)	2,777	27,103	3,941
Net cash provided by (used in) operating activities	110,337	203,202	201,480	(34,248)
Cash flows from investing activities:				
Cash paid for fixed assets	(156,906)	(148,063)	(96,289)	(119,200)
Cash paid for intangible assets	(450)	(300)	—	(450)
Insurance recoveries	489	—	—	130
Cash paid for other acquisitions, net of cash acquired (Note 4)	(2,813)	—	—	—
Cash from consolidation of joint venture (Note 1)	1,205	—	—	1,205
Cash paid for investments	(585)	(9,912)	(1,000)	(905)
Proceeds from sale of investment	—	9,145	—	—
Distributions from equity investees	—	—	73	—
Proceeds from sale of assets	—	—	1,296	—
Proceeds from sale-leasebacks, net (Note 3)	18,549	2,298	—	—
Proceeds from partial surrender of officers' life insurance	1,470	4,150	—	—
Net cash used in investing activities	(139,041)	(142,682)	(95,920)	(119,220)
Cash flows from financing activities:				
Borrowings under long-term debt agreements	1,297,000	313,000	440,000	949,000
Repayments of long-term debt	(1,293,250)	(338,250)	(487,938)	(826,938)
Debt prepayment, issuance and refinancing costs	(58)	(3,098)	—	(58)
Payments for finance and capital lease liabilities	(3,447)	(2,890)	(2,831)	(2,593)
Partial settlement of member note	(809)	—	—	(809)
Cash received from noncontrolling interest	243	—	—	243
Repurchase of equity	—	(111)	(105)	—
Payment of contingent consideration	(2,750)	(750)	(250)	(1,250)
Net cash (used in) provided by financing activities	(3,071)	(32,099)	(51,124)	117,595
Net (decrease) increase in cash, cash equivalents and restricted cash	(31,775)	28,421	54,436	(35,873)
Cash, cash equivalents and restricted cash at beginning of year	186,493	158,072	154,718	186,493
Cash, cash equivalents and restricted cash at end of year	$ 154,718	$ 186,493	$ 209,154	$ 150,620
Supplemental cash flow disclosures:				
Interest paid, net	$ 217,664	$ 213,254	$ 121,516	$ 165,124
Capitalized interest	$ 953	$ 83	$ 330	$ 509
Income taxes paid	$ 15,036	$ 11,379	$ 1,992	$ 14,864
Supplemental non-cash investing and financing activities disclosure:				
Accounts payable and accrued expenses for capital expenditures	$ 21,962	$ 17,132	$ 24,227	$ 25,429

See accompanying notes to consolidated financial statements.

PET ACQUISITION LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information for the thirty-nine weeks ended November 2, 2019 is unaudited)

1. Summary of Significant Accounting Policies

Description of Business and Basis of Presentation

PET Acquisition LLC (together with its consolidated subsidiaries, "the Company") is a national specialty retailer of premium pet consumables, supplies and companion animals and services with 1,468 retail locations in 50 states, the District of Columbia and Puerto Rico as of October 31, 2020. The Company also offers an expanded range of consumables, supplies and services through its *www.petco.com, www.petcoach.co, www.petinsurancequotes.com,* and *www.pupbox.com* websites.

The Company is a Delaware limited liability company that was formed on November 19, 2015 as an acquisition entity controlled by Scooby LP, which is indirectly owned by funds affiliated with CVC Capital Partners, CPP Investments, a Canadian company (together with CVC Capital Partners, the "Sponsors"), and certain co-investors. On January 26, 2016, the Company completed a merger (the "Acquisition") whereby Petco Holdings, Inc. converted from a Delaware corporation to a Delaware limited liability company and became a wholly owned subsidiary of the Company.

The Company is owned by (i) its Common Series A Unit holders, (ii) its Common Series B Unit holders, (iii) its Common Series C Unit holders, and (iv) its Voting Common Unit holders. Voting Common Units have exclusive voting rights with regards to the election and removal of managers on the Company's board of managers. Common Series A Units have exclusive voting rights with regards to all other matters to be voted on. The Voting Common Units do not represent an economic interest in the Company.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of PET Acquisition LLC, its wholly owned subsidiaries, and a variable interest entity for which it is the primary beneficiary. All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates are based on information that is currently available and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could vary from those estimates under different assumptions or conditions.

Unaudited Interim Consolidated Financial Information

The accompanying interim consolidated statements of loss and comprehensive loss, members' equity and cash flows for the thirty-nine weeks ended November 2, 2019 are unaudited. These unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. In management's opinion, the unaudited interim consolidated financial statements have been prepared on the same basis as the audited financial statements and include all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of the Company's consolidated results of operations and cash flows for the thirty-nine weeks ended November 2, 2019. The financial data and other information disclosed in these notes related to the thirty-nine weeks ended November 2, 2019 are also unaudited.

PET ACQUISITION LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd
(Information for the thirty-nine weeks ended November 2, 2019 is unaudited)

Fiscal Year

The Company's fiscal year ends on the Saturday closest to January 31, resulting in years of either 52 or 53 weeks. All references to a fiscal year refer to the fiscal year ending on the Saturday closest to January 31 of the following year. For example, references to fiscal 2019 refer to the fiscal year beginning on February 3, 2019 and ending on February 1, 2020. Fiscal 2019 and 2018 included 52 weeks.

Subsequent Events

The Company evaluated subsequent events through December 3, 2020, the date the consolidated financial statements were available to be issued.

Segment Reporting

Operating segments are components of an enterprise about which separate financial information is available and is evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and in assessing performance. A select group of senior executives collectively serves as the Company's CODM. The Company manages its business as one reportable operating segment which is designed to sell pet food, supplies and companion animals, and services to pet parents across store and online channels.

Cash and Cash Equivalents

Cash equivalents represent all liquid investments with original maturities of three months or less and include money market mutual funds. The Company maintains cash and cash equivalent balances with financial institutions that exceed federally insured limits. The Company has not experienced any losses related to these balances. Included in the Company's cash and cash equivalents are credit and debit card receivables from banks, which typically settle within five business days, of $31.1 million and $29.8 million at February 1, 2020 and February 2, 2019, respectively. At October 31, 2020, credit and debit card receivables were $31.3 million. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported in the consolidated balance sheets to the total amounts reported in the consolidated statements of cash flows. Restricted cash is held in a trust used for certain employee benefit costs.

	February 1, 2020	February 2, 2019	October 31, 2020
Cash and cash equivalents	$ 148,785	$ 180,649	$ 195,832
Restricted cash included in other current assets	5,933	5,844	13,322
Total cash, cash equivalents and restricted cash in the statement of cash flows	$ 154,718	$ 186,493	$ 209,154

Outstanding checks in excess of funds on deposit (book overdrafts) totaled $52.4 million and $43.3 million for the Company at February 1, 2020 and February 2, 2019, respectively, and are reflected in accounts payable and book overdrafts in the consolidated balance sheets. At October 31, 2020, excess funds on deposit (book overdrafts) totaled $61.5 million.

Vendor Rebates and Allowances

Most of the Company's receivables are due from vendors. Receivables are stated net of an allowance for estimated credit losses, which is determined by continually evaluating individual receivables, the vendor's financial condition and current and expected economic conditions. The additions and deductions to the allowance for estimated credit losses were not material for all periods presented.

The Company receives vendor allowances, primarily in the form of cooperative advertising reimbursements, rebate incentives, prompt purchase discounts, and vendor compliance charges pursuant to agreements with certain vendors. Substantially all vendor allowances are initially deferred as a reduction of the cost of inventory purchased and recorded as a reduction to cost of sales in the consolidated statements of loss and comprehensive loss as the inventory is sold. Vendor rebates and allowances that are identified as specific, incremental and identifiable costs incurred by the Company in selling the vendors' products are classified as a reduction of selling, general and administrative expenses in the consolidated statements of loss and comprehensive loss as the costs are incurred, as the related costs are also classified as selling, general and administrative expenses.

Merchandise Inventories

Merchandise inventories represent finished goods and are stated at the lower of cost or net realizable value. Cost is determined by the average-cost method and includes inbound freight charges. Physical inventories are performed on a regular basis at store locations and cycle counts are performed for inventory at distribution centers. During the period between counts at store and distribution center locations, the Company accrues for estimated losses related to inventory shrinkage based on historical inventory shrinkage results and current trends in the business. Inventory shrinkage may occur due to theft, loss, or the deterioration of goods, among other reasons. The Company assesses its inventory for estimated obsolescence or unmarketable inventory and writes down the difference between the cost of inventory and the estimated market value based upon historical mark-downs, supply on-hand and assumptions about future sales.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and amortization or at fair value as of the date of the Acquisition. Store facilities and equipment under finance leases are recorded at the present value of minimum lease payments at the inception of the lease. Maintenance and minor repairs are expensed as incurred.

Buildings, equipment, furniture and fixtures are depreciated using the straight-line method over the estimated useful life of the asset. Leasehold and building improvements are amortized using the straight-line method over the term of the lease or the estimated useful life of the improvement, whichever is shorter. Land is not depreciated. Amortization of fixed assets financed through finance leases is included in depreciation and amortization expense.

The Company's fixed assets are generally depreciated or amortized using the following estimated useful lives:

Buildings	30 years
Equipment	3 to 7 years
Furniture and fixtures	4 to 7 years
Leasehold and building improvements	5 to 10 years

Costs incurred to develop internal-use software during the application development stage, which include costs to design the software configuration and interfaces, coding, installation and testing, are capitalized and reported at cost, less accumulated amortization. Costs of significant upgrades and enhancements that result in additional functionality are also capitalized, whereas costs incurred for maintenance and minor upgrades and enhancements are expensed as incurred. Software and capitalized development costs are included in the Company's equipment fixed asset category and are amortized using the straight-line method over the estimated useful life of the asset.

The Company assesses its fixed assets, including internal-use software, for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The review of recoverability is based on estimates of the undiscounted future cash flows expected to be generated by an asset (or group of assets) at a store level. If impairment exists due to the inability to recover the asset's carrying value, impairment losses are measured as the amount by which the asset's carrying value exceeds its fair value using the income approach and are recorded as a reduction of the related asset and charged to the consolidated statements of loss and comprehensive loss.

Goodwill

Goodwill represents the excess of the cost of acquired businesses over the fair value of the tangible and identifiable intangible assets acquired and liabilities assumed. Goodwill is not amortized. The Company performs its annual impairment test during the fourth quarter of each fiscal year, or more frequently when warranted by events or changes in circumstances. The Company has the option to first perform a qualitative assessment of its goodwill to determine whether it is necessary to perform a quantitative impairment test. If the Company concludes it is more likely than not that its goodwill is impaired, management evaluates the recoverability of goodwill by comparing the carrying value of the Company's reporting unit to the fair value. An impairment charge is recorded for the amount by which the carrying amount exceeds the reporting unit's fair value, with the loss recognized not exceeding the total amount of goodwill allocated to that reporting unit.

The Company has one reporting unit. The fair value of the Company's reporting unit is estimated by a third party valuation firm. Fair value estimates used in the quantitative impairment test were calculated using a discounted cash flow analysis and a public company analysis. The discounted cash flow analysis measures the value of an asset by the present value of its future estimated cash flows. The public company analysis analyzes transactional and financial data of publicly traded companies to develop valuation multiples. These multiples are then applied to the Company to develop an indication of fair value. Significant assumptions inherent in the valuation methodologies for goodwill are employed and include, but are not limited to, prospective financial information, growth rates, discount rates and comparable multiples from publicly traded companies in similar industries.

Other Intangible Assets

Other intangible assets represent the Company's trade name, educational website content, certain contract costs, and customer lists. The Company's trade name has an indefinite life. All other intangibles have finite lives and are amortized using the straight-line method over their estimated useful lives. Prior to the adoption of Accounting Standards Update No. 2016-02 – Leases in fiscal 2019, other intangible assets also included favorable lease rights.

The Company reviews its amortizable intangible assets with finite lives for impairment whenever events or changes in circumstances indicate that the carrying value of its intangible assets may not be recoverable. The amount of impairment, if any, is measured based on fair value, which is determined using future projected discounted operating cash flows.

PET ACQUISITION LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd
(Information for the thirty-nine weeks ended November 2, 2019 is unaudited)

The Company performs its annual impairment test during the fourth quarter of each fiscal year, or more frequently when warranted by events or changes in circumstances. The Company also has the option to first perform a qualitative assessment of its indefinite-lived intangible assets to determine whether it is necessary to perform a quantitative impairment test. The fair value of the Company's indefinite-lived trade name is estimated by a third party valuation firm using the relief from royalty valuation method. Significant assumptions inherent in the valuation methodologies for the indefinite-lived trade name are employed and include, but are not limited to, prospective financial information, royalty rates and discount rates. An impairment charge is recorded for the amount by which the carrying amount of the indefinite-lived trade name exceeds its fair value.

Joint Ventures, Equity Method Investments, and Variable Interest Entities

Investments for which the Company exercises significant influence but does not have control are accounted for under the equity method. These investments have primarily consisted of a 50% joint venture with Grupo Gigante, S.A.B. de C.V. (the "Mexico joint venture") to establish Petco locations in Mexico and a 45% joint venture with a domestic partner to sell over-the-counter and prescription pet medications. The Company's share of the investees' results is presented as either income or loss from equity method investees in the accompanying consolidated statements of loss and comprehensive loss.

The joint ventures are not material to the Company's consolidated financial statements. The equity method of accounting is applicable as the Company is not the primary beneficiary but has significant influence over the operation and financial policies of the pet medication joint venture. The equity method of accounting is applicable for the Mexico joint venture as the Company does not own more than 50% of voting power, but has significant influence over the operation and financial policies of the investee.

The Mexico joint venture purchases certain inventory items and store assets from the Company. The Company also receives royalties from the Mexico joint venture for the use of its trademarks. Revenues generated from these transactions were not material in fiscal 2019 and 2018 and the thirty-nine weeks ended October 31, 2020 and November 2, 2019. The cumulative unrealized foreign currency adjustment on the translation of the Company's investment in the joint venture and the foreign currency translation impact of the royalty receivable are recorded in accumulated other comprehensive income ("AOCI"), net of tax.

The Company consolidates variable interest entities ("VIEs") where it has been determined that the Company is the primary beneficiary of those entities' operations. The Company holds a 50% investment in a joint venture with a domestic partner to build and operate veterinary clinics in Petco locations, which was previously accounted for under the equity method. In March 2019, the Company entered into an amended agreement governing the joint venture's operations and determined that the Company had the power to direct the activities most important to the VIE. As a result, the joint venture is a VIE for which the Company is now the primary beneficiary. Accordingly, the assets, liabilities, and noncontrolling interest of the VIE, which were not material, were measured at fair value as of the date the Company became the primary beneficiary in accordance with ASC 805 – Business Combinations. The results of operations and statements of financial position of the VIE, which are not material, are included in the Company's consolidated financial statements beginning in March 2019. Under the amended agreement, the domestic partner provides certain management and support services to the joint venture. These services include administrative, financial reporting, compliance, and technology support services in connection with the operation and growth of the joint venture. As compensation for these services, the joint venture pays the domestic partner a quarterly joint venture management fee equal to a portion of clinic revenues, subject to a minimum fixed fee. The Company incurred and recorded $1.4 million of joint venture management fees under this agreement in fiscal 2019, which are included in selling, general and administrative expenses in the consolidated statements of loss and comprehensive loss. Joint venture management fees for the thirty-nine weeks ended October 31, 2020 and November 2, 2019 were $1.5 million and $1.0 million, respectively.

The Company also has an investment in a pet specialty company, which was previously accounted for under the equity method. In October 2019, the Company concluded that it no longer holds significant influence over the operation and financial policies of this investee. Accordingly, the Company discontinued the equity method of accounting for this investee. Since this investment does not have a readily determinable fair value, the Company now measures its investment at cost minus impairment, if any, with adjustments resulting from observable price changes (the "cost method"). Additionally, the carrying value of this investment was reduced from $0.9 million to $0.0 million, as the Company no longer considers the investment to be recoverable.

Fair Value Measurements

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. When determining fair value, the Company considers the principal or most advantageous market in which the Company would conduct a transaction, in addition to the assumptions that market participants would use when pricing the related assets or liabilities, including non-performance risk.

A three-level hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 — Unobservable inputs for the asset or liability.

Refer to Notes 8, 9, 10 and 11 for fair value disclosures for the senior secured term credit facilities, senior notes, derivatives, and other types of assets and liabilities measured at fair value, respectively.

Self-Insurance Reserves

The Company is self-insured for workers' compensation, general, auto liability and employee-related health care benefits, a portion of which is paid by the Company's employees. Additionally, the Company has insurance coverage to limit its exposure above a per occurrence retention limit. These insurance policies have stated maximum coverage limits after which the Company bears the risk of loss. The Company determines the related liabilities using a number of factors including historical experience and trends related to claims and payments, information provided by the Company's insurance brokers and actuaries, an estimate of incurred but not reported claims and industry experience and trends. Estimates of future claim costs for workers' compensation, general, auto

PET ACQUISITION LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd
(Information for the thirty-nine weeks ended November 2, 2019 is unaudited)

liability and employee-related health care benefits are recorded on an undiscounted basis. All estimates of ultimate loss and loss adjustment expense and resulting reserves are subject to inherent variability caused by the nature of the insurance process. The potentially long period of time between the reporting of an occurrence of an incident and the final resolution of a claim and the possible effects of changes in the legal, social and economic environments contribute to this variability. The Company reports self-insurance liabilities gross of insurance recoveries. As of February 1, 2020, insurance recoveries of $6.0 million and $18.4 million were recorded in other current assets and other long-term assets, respectively. As of February 2, 2019, insurance recoveries of $6.9 million and $22.0 million were recorded in other current assets and other long-term assets, respectively. As of October 31, 2020, insurance recoveries of $5.6 million and $17.0 million were recorded in other current assets and other long-term assets, respectively.

Self-insurance reserves are reflected in the consolidated balance sheets as follows (in thousands):

	February 1, 2020	February 2, 2019	October 31, 2020
Current:			
Workers' compensation and employee-related health care benefits	$ 21,443	$ 22,763	$ 26,430
General and auto liability reserves	5,135	6,222	4,159
	$ 26,578	$ 28,985	$ 30,589
Non-current:			
Workers' compensation reserve	$ 46,834	$ 57,157	$ 45,552
General and auto liability reserves	13,188	16,601	10,588
	$ 60,022	$ 73,758	$ 56,140

The current portion and non-current portion of self-insurance reserves for workers' compensation and employee-related health care benefits are included in accrued salaries and employee benefits and other long-term liabilities, respectively, in the consolidated balance sheets. The current portion and non-current portion of self-insurance reserves for general and auto liability costs are included in accrued expenses and other liabilities and other long-term liabilities, respectively, in the consolidated balance sheets.

Revenue Recognition

The Company recognizes revenue when control of promised goods or services is transferred to customers, in an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods or services.

See Note 2 for further discussion on revenue recognition.

Cost of Sales

Cost of sales includes the following types of expenses:

- Direct costs (net of vendor rebates, allowances and discounts for products sold) including inbound freight charges;
- Shipping and handling costs associated with sales to customers;
- Freight costs associated with moving merchandise inventories;

- Inventory shrinkage costs and write-downs;
- Payroll costs of pet groomers, trainers, veterinarians and other direct costs of services; and
- Costs associated with operating the Company's distribution centers including payroll, occupancy costs and depreciation

Selling, General and Administrative Expenses

Selling, general and administrative expenses include the following types of expenses:

- Payroll and benefit costs of store and corporate employees;
- Occupancy and operating costs of store and corporate facilities;
- Depreciation and amortization related to store and corporate assets;
- Credit card fees;
- Store pre-opening and remodeling costs;
- Advertising costs; and
- Other administrative costs

Advertising Expenses

The Company records advertising expense as incurred and classifies advertising costs within selling, general and administrative expenses in the consolidated statements of loss and comprehensive loss. The Company's advertising expenses, net of cooperative advertising reimbursements, were $97.7 million, $79.6 million, $124.6 million and $67.7 million for fiscal 2019 and 2018 and the thirty-nine weeks ended October 31, 2020 and November 2, 2019, respectively. Vendor cooperative advertising reimbursements reduced total advertising expense by $18.4 million, $13.3 million, $15.8 million and $13.9 million for fiscal 2019 and 2018 and the thirty-nine weeks ended October 31, 2020 and November 2, 2019, respectively.

Leases

The majority of the Company's lease liabilities are real estate operating leases from which store, corporate support, and distribution operations are conducted. The Company also leases equipment and certain store locations under finance leases. Lease terms generally do not include options to extend or terminate the lease unless it is reasonably certain that the option will be exercised. Effective fiscal 2019, for any lease with an initial term in excess of 12 months, the related lease assets and liabilities are recognized on the consolidated balance sheet as an operating or finance lease at the commencement of the lease agreement. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet. The Company recognizes lease expense for these short-term leases on a straight-line basis over the lease term.

Operating lease assets represent the right to use an underlying asset for the lease term, and operating lease liabilities represent the obligation to make lease payments arising from the lease. These assets and liabilities are recognized based on the present value of future payments over the lease term at the commencement date. The Company uses a collateralized incremental borrowing rate based on the information available at the commencement date to determine the present value of future payments. Operating leases typically require payment of certain non-lease costs, such as real estate taxes, common area maintenance and insurance. These components comprise the majority of the

Company's variable lease costs and are excluded from the present value of lease liabilities unless an event occurs that results in the payments becoming fixed for the remaining term. The remaining lease and non-lease components are accounted for together as a single lease component for all underlying classes of assets. Operating lease assets are adjusted for lease incentives, initial direct costs, impairments, and exit or disposal costs.

Operating lease costs are recognized on a straight-line basis from the commencement date to the end of the lease term. Operating lease costs relating to distribution centers are included in cost of sales, and operating lease costs relating to store and corporate support locations are included in selling, general and administrative expenses in the consolidated statements of loss and comprehensive loss. Amortization on finance lease right-of-use assets relating to distribution centers are included in cost of sales, and amortization on finance lease right-of-use assets relating to store and corporate support locations are included in selling, general and administrative expenses in the consolidated statements of loss and comprehensive loss. Interest on finance lease right-of-use assets is included in interest expense in the consolidated statements of loss and comprehensive loss. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company's sublease portfolio consists mainly of operating leases with a domestic partner to operate dog boarding and daycare facilities, which are not material.

The Company records contractual obligations associated with the retirement of long-lived assets at their fair value at the time the obligations are incurred. These obligations arise from certain leases and primarily relate to the cost of removing leasehold improvements and certain fixtures from such lease sites and restoring the sites to their original condition. Upon initial recognition of the liability, that cost is capitalized as part of the related long-lived asset and depreciated on a straight-line basis over the estimated useful life of the asset. Activity related to these obligations in fiscal 2019 and 2018 and the thirty-nine weeks ended October 31, 2020 and November 2, 2019 was not material. The Company's asset retirement obligation was $5.5 million, $4.3 million, and $5.8 million at February 1, 2020, February 2, 2019, and October 31, 2020, respectively, and is included in other long-term liabilities in the consolidated balance sheets.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of loss and comprehensive loss in the period that includes the enactment date. Valuation allowances, if any, are recorded against net deferred tax assets when it is considered more likely than not that some portion or all of a deferred tax asset may not be recoverable. Deferred tax assets and liabilities are recorded as either net non-current assets or net non-current liabilities on the consolidated balance sheets. Refer to Note 14 for further disclosures of the Company's income taxes.

Management regularly evaluates the likelihood of recognizing the benefit for income tax positions it has taken in various federal and state filings by considering relevant facts, circumstances and information available. The authoritative guidance clarifies the accounting for income taxes by prescribing a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold for recognizing benefit of a tax position is that such position is more likely than not to be sustained upon examination by the taxing authority, including resolution of any related appeals or litigation processes, and is based on the technical merits of the position.

Equity-Based Compensation

Equity-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the vesting period of the award, which is also the requisite service period, based upon the corresponding vesting method and probability of vesting (Note 13). The Company recognizes the effect of pre-vesting forfeitures as they occur. The Company's equity-based compensation charges relate to partnership unit awards.

Equity Valuation

The per unit fair value of equity was determined by the Company's board of directors based on enterprise valuations performed by management with the assistance of a third-party valuation firm, taking into consideration any recent market transactions involving the Company's equity. The valuation of the equity of any private company involves various estimates and assumptions that may differ from actual values.

In fiscal 2018, the Company's equity value was determined using a combination of three valuation approaches:

Income Approach – estimates the fair value based on the present value of the Company's future estimated cash flows and the residual value of the Company beyond the forecast period. These future cash flows, including the cash flows beyond the forecast period for the residual value, are discounted to their present values using an appropriate discount rate, to reflect the risks inherent in the Company achieving these estimated cash flows.

Market Approach (specifically, the guideline public company method) – estimates fair value based upon the observed valuation multiples of comparable public companies, the equity of which is freely-traded by investors in the public securities markets.

Market Transaction Approach – utilizes enterprise value relative to EBITDA ratios of recent acquisitions that involve companies comparable to the Company.

Beginning in fiscal 2019, the market transaction approach was not used due to the limited number of recent transactions of comparable companies. Additionally, beginning in the third quarter of fiscal 2020, the Company determined its equity value using the probability weighted expected return method ("PWERM"), or the hybrid method. Under the hybrid method, multiple valuation approaches are used and then combined into a single probability weighted valuation using a PWERM, which considers the probability of an initial public offering scenario.

The results of the valuation approaches were weighted based on a variety of factors including: current macroeconomic environment, current industry conditions and length of time since arms-length market transaction events. Additionally, a discount for lack of marketability was applied to account for the lack of access to an active public market. The resulting value was then allocated to outstanding equity using an option-pricing model.

PET ACQUISITION LLC

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Membership Units

At October 31, 2020, there were 1,297,999,923 Common Series A Units, 342,710,243 Common Series B Units, 239,361,146 Common Series C Units, and 100 Voting Common Units authorized for issuance. Issued and outstanding membership units consisted of the following:

	February 1, 2020	February 2, 2019	October 31, 2020
Common Series A Units issued and outstanding	1,118,999,923	1,118,999,923	1,118,999,923
Common Series B Units issued and outstanding	339,558,148	338,158,148	339,558,148
Common Series C Units issued and outstanding	183,389,373	143,081,289	214,848,873
Voting Common Units issued and outstanding	100	100	100

Loss per unit is presented in conformity with the two-class method required for participating securities. The Common Series C Units are held by Scooby LP. The Company considered the impact of presenting a separate earnings per unit calculation for Common Series C Units. However, as earnings and losses are only allocable to Common Series C Units after certain applicable thresholds have been met, and such thresholds have not been met for loss per unit purposes, no losses were allocated to Common Series C Units.

Pre-Opening Costs

Costs incurred in connection with opening new stores are expensed as incurred and are included in selling, general and administrative expenses in the Company's consolidated statements of loss and comprehensive loss. Such costs include advertising, payroll, initial store supplies and utilities.

Management Services Agreement

On January 26, 2016, in connection with the Acquisition, the Company entered into a management services agreement with certain affiliates and/or investment advisors of the Sponsors (the "Sponsor MSA Parties"), pursuant to which the Sponsor MSA Parties agreed to provide certain management and financial services. The services include management, consulting, and financial planning services in connection with the operation and growth of the Company. As compensation for such services, the Company agreed to reimburse the Sponsor MSA Parties' costs for services rendered, including expenses relating to maintaining the holding company structure through which the Sponsors own the Company indirectly, plus reimbursement of reasonable out-of-pocket expenses incurred in connection with the services rendered. The Company also agreed to provide customary indemnification to the Sponsor MSA Parties. The agreement has a term of ten years and is automatically renewed in one-year increments thereafter, unless otherwise earlier terminated. Management fees incurred and recorded by the Company during fiscal 2019 and 2018 and the thirty-nine weeks ended October 31, 2020 and November 2, 2019 were not material. These fees are included in selling, general and administrative expenses in the consolidated statements of loss and comprehensive loss.

Derivative Instruments

In March 2016, the Company entered into a series of five interest rate cap agreements with four counterparties totaling \$1,950.0 million to limit the maximum interest rate on a portion of the Company's variable-rate debt and limit its exposure to interest rate variability when three-month LIBOR exceeds 2.25%. The interest rate caps are accounted for as cash flow hedges, and changes in the fair value of the interest rate caps are reported as a component of AOCI.

Refer to Note 10 for further disclosures of the Company's derivative instruments and hedging activities.

PET ACQUISITION LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd
(Information for the thirty-nine weeks ended November 2, 2019 is unaudited)

Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update No. 2016-02 – Leases ("ASU 2016-02" or "ASC 842"), which requires leases to be recognized on the balance sheet as assets and liabilities for the rights and obligations created by leased assets. The Company adopted this accounting policy at the beginning of fiscal 2019 and recognized a cumulative effect adjustment to retained earnings, as permitted under Accounting Standards Update No. 2018-11 – Leases: Targeted Improvements. The Company set an accounting policy election not to capitalize leases with a term of twelve months or less. In addition, the Company elected the transition package of practical expedients, which allowed the Company to carry forward for its existing leases: i) the historical lease classification as either operating or finance; ii) the assessment of whether any expired or existing contracts are or contain leases; and iii) capitalization of initial direct costs. Additionally, the Company elected the practical expedients to account for certain leases at a portfolio level and to not separate lease and non-lease components.

Previously designated capital leases are now considered finance leases under the new guidance. The designation of operating leases remains substantially unchanged under the new guidance.

Adoption of this accounting policy resulted in the recognition of $1.61 billion of operating lease right-of-use assets, along with $1.54 billion of corresponding lease liabilities on February 3, 2019. As part of the adoption, $91.6 million of other long-term liabilities, which included existing deferred rent, tenant improvement allowances, reserves for closed stores, and unfavorable lease rights, were derecognized with a corresponding adjustment to operating lease right-of-use assets. Also, $33.8 million in prepaid rent, previously included within prepaid expenses, was reclassified as a reduction to the current portion of operating lease liabilities. Additionally, $125.2 million of existing favorable lease rights, which were previously recorded within other intangible assets, were also derecognized with a corresponding adjustment to operating lease right-of-use assets. The Company recorded a $22.9 million cumulative-effect adjustment to retained earnings, primarily related to the derecognition of a deferred gain on the sale-leaseback of its corporate headquarters, which was previously being recognized over the initial lease term as a reduction of selling, general, and administrative expenses. The adoption did not have a material impact on the Company's liquidity. Refer to Note 6, Leases, for additional information regarding the Company's accounting policy for leases and additional disclosures.

In April 2020, the FASB issued clarifying guidance on accounting for certain lease concessions related to the effects of the COVID-19 pandemic under ASC 842. The FASB staff indicated that it would be acceptable for entities to make an election to account for lease concessions related to the effects of the COVID-19 pandemic consistent with how they would be accounted for as though enforceable rights and obligations for those concessions existed in the original contract. Consequently, for such lease concessions, an entity will not need to reassess each existing contract to determine whether enforceable rights and obligations for concessions exist, and an entity can elect to apply or not to apply the lease modification guidance in ASC 842 to those contracts. The election is available for concessions related to the effects of the COVID-19 pandemic that result in the total payments required by the modified contract being substantially the same as or less than total payments required by the original contract. In accordance with this guidance, the Company made a policy election to account for such lease concessions related to the effects of the COVID-19 pandemic that resulted in the total payments required by the modified contract being substantially the same as or less than total payments required by the original contract as though enforceable rights and obligations to make those concessions existed in the original contract. Consequently, for such lease concessions, the Company did not reassess each existing contract to determine whether enforceable rights and obligations for concessions existed and elected not to apply the lease modification guidance in ASC 842 to those

PET ACQUISITION LLC

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contracts. The Company accounted for COVID-19 lease abatements, which were not material, as reductions to variable lease expense and accounted for lease deferrals as a resolution of a contingency that fixes previously variable lease payments which resulted in a remeasurement of the lease liability with a corresponding adjustment to the right of use asset.

In June 2016, the FASB issued Accounting Standards Update No. 2016-13 – Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which amends the accounting for recognizing impairments of financial assets. Under the new accounting guidance, credit losses for financial assets held at amortized cost will be estimated based on expected losses rather than the current incurred loss impairment model. The new accounting guidance also modifies the impairment model for available-for-sale debt securities. The Company adopted this accounting policy on February 2, 2020. The adoption did not have a material impact on the Company's consolidated financial statements and related disclosures.

In August 2018, the FASB issued Accounting Standards Update No. 2018-15 – Intangibles— Goodwill and Other—Internal-Use Software (Subtopic 350-40), which amends ASC 350-40 to address a customer's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract. The Company adopted this accounting policy on February 2, 2020. The adoption did not have a material impact on the Company's consolidated financial statements and related disclosures.

2. Revenue Recognition

The Company generates revenue primarily from the sale of products and services. Revenue is recognized when the control of promised goods or services is transferred to customers, in an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods or services. Control refers to the ability of the customer to direct the use of, and obtain substantially all of, the remaining benefits from the goods or services.

Net sales by product type and services were as follows (in thousands):

	Fiscal years ended		Thirty-nine weeks ended	
	February 1, 2020 (52 weeks)	February 2, 2019 (52 weeks)	October 31, 2020	November 2, 2019
Dog and cat food	$ 2,054,280	$ 2,045,593	$ 1,548,015	$ 1,523,847
Supplies and companion animals	1,938,904	1,967,996	1,707,884	1,433,176
Services and other	441,330	378,584	326,590	328,835
Net sales	$ 4,434,514	$ 4,392,173	$ 3,582,489	$ 3,285,858

For all contracts with customers, the Company evaluates whether it is the principal (i.e. to report revenue on a gross basis) or agent (i.e. to report revenue on a net basis). Generally, the Company is the principal in its contracts with customers as it controls the related goods or services before they are transferred to the customer.

Revenue from product sales and services is reported net of sales refunds, which includes an estimate of future returns based on historical refund rates, with a corresponding reduction to cost of sales. The Company records a refund liability for sales returns, which is included in accrued expenses and other liabilities, and a corresponding asset for anticipated cost recoveries, which is included in other current assets. There is inherent judgment in estimating future refunds as they are susceptible to factors outside of the Company's influence. The Company has significant experience in estimating the amount of refunds based primarily on historical data.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd
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Revenue is recognized net of applicable sales tax in the consolidated statements of loss and comprehensive loss. Sales tax liability is included in accrued expenses and other liabilities in the consolidated balance sheets.

The Company's contract liabilities primarily relate to product merchandise not yet delivered to customers, unredeemed gift cards, services not yet completed, and options that provide a material right to customers, such as its customer loyalty program. The Company did not have any material contract assets or contract liabilities as of February 1, 2020, February 2, 2019 or October 31, 2020.

Product Revenue

Product revenue is recognized when control passes, which generally occurs at a point in time when the customer completes a transaction in the store and receives the merchandise. The Company's payment terms are typically at the point of sale.

For transactions initiated online, customers choose whether to have it delivered to them (using third-party parcel delivery companies) or to collect their merchandise from one of the Company's stores ("buy online, pick up in store," or "BOPUS"). For items delivered directly to the customer, control passes and revenue is recognized when delivery has been completed to the customer, as title has passed and possession has transferred to the customer. For BOPUS sales, control passes and revenue is recognized once the customer has taken possession of the merchandise. Any fees charged to customers for delivery (such as shipping and handling) are a component of the transaction price and are recognized when delivery has been completed. The Company uses delivery information to determine when to recognize revenue for products and any related delivery fee revenue.

Service Revenue

The Company recognizes service revenue from pet grooming, veterinary care, and certain other in-store services once the service is completed, as this is when the customer has the ability to direct the use of and obtain the benefits of the service. Payment terms are typically at the point of sale, but may also occur upon completion of the service. The Company's service contracts are primarily with retail and veterinary customers.

The Company recognizes service revenue from dog training ratably over the life of the contract, as this pattern best depicts when customers use the services provided and, accordingly, when delivery of the performance obligation occurs.

Gift Cards

The Company sells its own gift cards to customers in its retail stores, online, and through select third parties. The Company recognizes revenue from gift cards when gift cards are redeemed by the customer. The Company also recognizes revenue for the portion of gift card values that is not expected to be redeemed ("breakage"). Breakage is estimated based upon historical redemption patterns and other factors, such as laws and regulations applicable to each jurisdiction. There is judgment in assessing redemption patterns and the ultimate value of gift cards that is not expected to be redeemed.

Sales Incentives and Customer Loyalty Program

The Company has a customer loyalty program that allows members to earn points for each qualifying purchase. Points earned enable members to receive a certificate that may be redeemed on future purchases within 45 days of the issuance date. The loyalty program points represent customer options that provide a material right and, accordingly, are performance obligations for each applicable contract. The relative standalone selling price of points earned by loyalty program members is deferred and included as part of accrued expenses and other liabilities in the consolidated balance sheets based on the amount of points that are projected to be redeemed, subject to breakage. Revenue is recognized for these performance obligations as actual redemptions occur and the Company updates its estimate of the amount of points that are projected to be redeemed. There is judgment in assessing redemption patterns and the ultimate value of points that is not expected to be redeemed.

The Company issues coupons that are not earned in conjunction with a purchase of a product or service, typically as part of targeted marketing activities. Additionally, the Company issues coupons in conjunction with the purchase of products or services. However, these coupons typically do not materially exceed the range of discounts given to similar customers and do not confer a material right. In both of these cases, these are not performance obligations and are instead recognized as a reduction of the transaction price when redeemed by the customer.

Practical Expedients and Exemptions

The Company does not present certain qualitative and quantitative information relating to its remaining performance obligations, as substantially all of the Company's remaining performance obligations have an original expected duration of one year or less. The Company's remaining performance obligations are not material.

3. Sale-Leaseback Transaction

In January 2020, the Company sold and leased back its San Antonio, Texas corporate support center for $19.0 million with net cash proceeds of $18.5 million. The transaction qualified for sale-leaseback accounting, in which the Company recognized the sale, resulting in an initial gain of $3.1 million, which is reflected as a reduction of selling, general, and administrative expenses. The lease has been classified as an operating lease and contains a 10 year initial term plus renewal options.

4. Other Acquisitions

During fiscal 2019, the Company completed the acquisition of a small, regional veterinary business for total consideration of approximately $3.0 million. Net tangible and identifiable intangible assets acquired and liabilities assumed were not material. The acquisition resulted in the recognition of $3.0 million of goodwill, which is deductible for tax purposes.

Pro forma results of operations for the acquisition have not been presented because they are not material to the consolidated results of operations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd
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5. Composition of Balance Sheet Accounts

Prepaid Expenses

Prepaid expenses consisted of the following (in thousands):

	February 1, 2020	February 2, 2019	October 31, 2020
Prepaid occupancy-related costs	$ 4,500	$ 29,536	$ 5,917
Other prepaid expenses	20,354	19,226	32,090
	$ 24,854	$ 48,762	$ 38,007

Fixed Assets, Net

Fixed assets, net, consisted of the following (in thousands):

	February 1, 2020	February 2, 2019	October 31, 2020
Equipment	$ 578,842	$ 509,557	$ 615,066
Leasehold improvements	490,506	429,586	524,785
Furniture and fixtures	267,458	244,547	280,440
Buildings and related improvements	23,134	38,490	23,114
Land	3,904	6,888	3,889
	1,363,844	1,229,068	1,447,294
Less accumulated depreciation	(707,588)	(545,521)	(828,364)
	$ 656,256	$ 683,547	$ 618,930

The Company's depreciation and amortization expense for fixed assets, net was $172.5 million, $184.6 million, $128.3 million and $128.8 million for fiscal 2019 and 2018 and the thirty-nine weeks ended October 31, 2020 and November 2, 2019, respectively.

Other Intangible Assets, Net

Components of other intangible assets, net were as follows (dollar amounts in thousands):

	February 1, 2020				
	Estimated useful lives (years)	Weighted average remaining estimated life (years)	Gross amount	Accumulated amortization	Net amount
Customer lists	3-7	2.4	$ 3,944	$ (2,512)	$ 1,432
Proprietary technology	5-17	4.2	848	(727)	121
Total intangible assets subject to amortization	3-17	2.5	4,792	(3,239)	1,553
Indefinite-lived intangible trade name	—	—	1,025,000	—	1,025,000
Total intangible assets			$1,029,792	$ (3,239)	$1,026,553

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	February 2, 2019				
	Estimated useful lives (years)	Weighted average remaining estimated life (years)	Gross amount	Accumulated amortization	Net amount
Favorable lease rights	3-34	14.8	$ 160,340	$ (35,162)	$ 125,178
Customer lists	3-7	3.2	3,944	(1,722)	2,222
Proprietary technology	5-17	1.3	858	(546)	312
Contract costs	9	8.9	300	(6)	294
Total intangible assets subject to amortization	3-34	14.6	165,442	(37,436)	128,006
Indefinite-lived intangible trade name	—	—	1,044,000	—	1,044,000
Total intangible assets			$1,209,442	$ (37,436)	$1,172,006

	October 31, 2020				
	Estimated useful lives (years)	Weighted average remaining estimated life (years)	Gross amount	Accumulated amortization	Net amount
Customer lists	3-7	2.1	$ 3,944	$ (3,105)	$ 839
Proprietary technology	5-17	14.1	848	(818)	30
Total intangible assets subject to amortization	3-17	2.5	4,792	(3,923)	869
Indefinite-lived intangible trade name	—	—	1,025,000	—	1,025,000
Total intangible assets			$1,029,792	$ (3,923)	$1,025,869

Quantitative impairment tests were performed on the Company's trade name in the fourth quarter of fiscal 2019 and 2018. The fair value of the Company's indefinite-lived trade name was determined by a third party valuation firm using the relief from royalty valuation method. As a result of the quantitative impairment tests performed, trade name impairment charges of $19.0 million and $83.0 million were recorded in the fiscal 2019 and 2018 financial statements, respectively. There were no triggering events identified and no indications of impairment of the Company's indefinite lived trade name or other intangible assets during the thirty-nine week periods ended October 31, 2020 and November 2, 2019.

The Company's amortization expense for other intangible assets was $1.0 million, $15.5 million, $0.7 million and $0.8 million for fiscal 2019 and 2018 and the thirty-nine weeks ended October 31, 2020 and November 2, 2019, respectively, and is included in selling, general and administrative expenses in the accompanying consolidated statements of loss and comprehensive loss. As a result of the adoption of ASU 2016-02 in fiscal 2019, favorable lease rights were derecognized with a corresponding adjustment to operating lease right-of-use assets (Note 1).

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At October 31, 2020, the Company's scheduled intangible asset amortization expense was as follows (in thousands):

Fiscal years	Amortization expense
Remainder of 2020	$ 155
2021	344
2022	344
2023	4
2024	2
Thereafter	20
Total intangible asset amortization	$ 869

Accrued Salaries and Employee Benefits

Accrued salaries and employee benefits consisted of the following (in thousands):

	February 1, 2020	February 2, 2019	October 31, 2020
Accrued compensation	$ 45,209	$ 41,727	$ 75,675
Accrued paid time-off	27,033	29,777	27,183
Self-insurance reserves	21,443	22,763	26,430
	$ 93,685	$ 94,267	$ 129,288

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following (in thousands):

	February 1, 2020	February 2, 2019	October 31, 2020
Accrued real estate taxes	$ 29,659	$ 25,379	$ 30,731
Accrued capital expenditures	21,962	17,132	24,227
Sales taxes payable	16,753	15,992	19,892
Accrued income taxes	5,701	9,276	11,527
Accrued advertising	6,164	7,192	16,045
Other accrued expenses and liabilities	67,942	68,946	80,080
	$ 148,181	$ 143,917	$ 182,502

Other Long-Term Liabilities

Other long-term liabilities consisted of the following (in thousands):

	February 1, 2020	February 2, 2019	October 31, 2020
Self-insurance reserves	$ 60,022	$ 73,758	$ 56,140
Deferred rent	—	50,894	—
Unfavorable lease rights	—	30,812	—
Other liabilities	41,629	85,914	69,422
	$ 101,651	$ 241,378	$ 125,562

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As a result of the adoption of ASU 2016-02 in fiscal 2019, deferred rent, tenant improvement allowances, reserves for closed stores, and unfavorable lease rights were derecognized with a corresponding adjustment to operating lease right-of-use assets (Note 1).

6. Leases

Lease assets and liabilities are reflected in the Company's consolidated balance sheets as follows (in thousands):

Leases	Balance sheet location	February 1, 2020	October 31, 2020
Assets			
Operating leases	Operating lease right-of-use assets	$ 1,459,604	$ 1,377,682
Finance leases	Fixed assets, net(1)	11,976	9,476
Total lease assets		$ 1,471,580	$ 1,387,158
Liabilities			
Current			
Operating leases	Current portion of operating lease liabilities	$ 278,229	$ 246,319
Finance leases	Current portion of long-term debt and other lease liabilities	3,393	2,149
Non-current			
Operating leases	Operating lease liabilities, excluding current portion	1,156,742	1,127,717
Finance leases	Other long-term liabilities	13,041	11,465
Total lease liabilities		$ 1,451,405	$ 1,387,650

(1) Finance lease right-of-use assets are recorded net of accumulated amortization of $13.4 million and $16.7 million as of February 1, 2020 and October 31, 2020, respectively.

The components of total lease cost are as follows (in thousands):

	Fiscal year ended	Thirty-nine weeks ended	
	February 1, 2020	October 31, 2020	November 2, 2019
Operating lease cost	$ 441,981	$ 324,477	$ 333,162
Finance lease cost:			
Amortization of right-of-use lease assets	3,919	2,583	3,664
Interest on lease liabilities	973	693	720
Variable lease cost	112,709	81,599	86,720
Sublease income	(5,450)	(3,711)	(4,229)
Total lease cost	$ 554,132	$ 405,641	$ 420,037

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd
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Rent expense prior to the adoption of ASU 2016-02 totaled $413.9 million for fiscal year 2018. The Company had approximately $24.1 million in fixed assets financed through capital leases at February 2, 2019. The Company's related accumulated amortization for these fixed assets was $10.6 million at February 2, 2019.

Other information for the Company's leases is as follows (in thousands):

	Fiscal year ended	Thirty-nine weeks ended	
	February 1, 2020	October 31, 2020	November 2, 2019
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$ 408,562	$ 304,426	$ 312,933
Operating cash flows from finance leases	$ 973	$ 727	$ 759
Financing cash flows from finance leases	$ 3,447	$ 2,831	$ 2,593
Lease assets obtained in exchange for lease liabilities:			
Operating leases	$ 133,219	$ 105,754	$ 88,757
Finance leases	$ 3,695	$ 15	$ 3,210

	February 1, 2020	October 31, 2020
Weighted average remaining lease term:		
Operating leases	6.3 years	6.0 years
Finance leases	6.8 years	6.8 years
Weighted average discount rate:		
Operating leases	10.6%	10.5%
Finance leases	6.2%	6.2%

At February 2, 2019, prior to the adoption of ASU 2016-02, the Company's future minimum lease payments under non-cancellable operating and capital leases were as follows (in thousands):

Fiscal years	Operating leases	Capital leases
2019	$ 401,160	$ 4,041
2020	372,055	3,805
2021	328,344	2,342
2022	276,683	2,115
2023	224,818	1,715
Thereafter	567,961	6,560
Total minimum payments	$ 2,171,021	$ 20,578
Less amount representing interest		(4,080)
Present value of capital lease payments		16,498
Less current portion of capital leases		(3,104)
Capital lease obligations, excluding current portion		$ 13,394

PET ACQUISITION LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd
(Information for the thirty-nine weeks ended November 2, 2019 is unaudited)

At October 31, 2020, the Company's future minimum lease payments under non-cancellable operating and finance leases are as follows (in thousands):

Fiscal years	Operating leases	Finance leases
Remainder of 2020	$ 70,541	$ 767
2021	404,015	2,871
2022	339,651	2,648
2023	288,222	2,296
2024	232,856	2,027
Thereafter	542,544	6,164
Total minimum payments	$ 1,877,829	$ 16,773
Less imputed interest	(503,793)	(3,159)
Present value of lease payments	1,374,036	13,614
Less current portion	(246,319)	(2,149)
Lease liabilities, excluding current portion	$ 1,127,717	$ 11,465

7. Goodwill

The changes in the carrying amount of the Company's goodwill were as follows (in thousands):

	February 1, 2020	February 2, 2019	October 31, 2020
Beginning balance:			
Goodwill	$ 2,984,253	$ 2,984,245	$ 2,987,273
Accumulated impairment	(807,963)	(517,791)	(807,963)
Goodwill, net	$ 2,176,290	$ 2,466,454	$ 2,179,310
Additions from acquisitions	$ 3,020	$ —	$ —
Purchase price adjustments	—	8	—
Impairment	—	(290,172)	—
Ending balance:			
Goodwill	$ 2,987,273	$ 2,984,253	$ 2,987,273
Accumulated impairment	(807,963)	(807,963)	(807,963)
Goodwill, net	$ 2,179,310	$ 2,176,290	$ 2,179,310

A quantitative impairment test was performed on the Company's goodwill in the fourth quarter of fiscal 2019. The result of the quantitative impairment test indicated that the fair value of the reporting unit was higher than its carrying value, and therefore no goodwill impairment charge was recorded for fiscal 2019. A quantitative impairment test was performed on the Company's goodwill in the fourth quarter of fiscal 2018, and a goodwill impairment charge of $290.2 million was recognized. There were no triggering events identified and no indications of impairment of the Company's goodwill during the thirty-nine week periods ended October 31, 2020 and November 2, 2019.

8. Senior Secured Credit Facilities

The Company has a $2,525.0 million senior secured term loan facility maturing on January 26, 2023 ("Term Loan Facility"), which was most recently amended on January 27, 2017 ("Amended Term Loan Facility"), and a senior secured asset-based revolving credit facility (the "Amended Revolving

Credit Facility"), providing for senior secured financing of up to $500.0 million expiring on the earlier of 91 days prior to the maturity of the Amended Term Loan Facility (currently October 27, 2022 or five years from the most recent amendment), subject to a borrowing base. The Amended Term Loan Facility and the Amended Revolving Credit Facility are collectively referred to as the "Senior Secured Credit Facilities."

As of February 1, 2020, the outstanding principal balance of the Amended Term Loan Facility was $2,424.0 million ($2,363.4 million, net of the unamortized discount and debt issuance costs). As of February 2, 2019, the outstanding principal balance of the Amended Term Loan Facility was $2,449.3 million ($2,370.0 million, net of the unamortized discount and debt issuance costs). The weighted average interest rate on the borrowings outstanding was 5.1% and 6.1% as of February 1, 2020 and February 2, 2019, respectively. As of October 31, 2020, the outstanding principal balance of the Amended Term Loan Facility was $2,405.1 million ($2,359.0 million, net of the unamortized discount and debt issuance costs). At October 31, 2020, the weighted average interest rate on the borrowings outstanding was 4.3%. Debt issuance costs are being amortized over the contractual term to interest expense using the effective interest rate in effect at issuance. As of February 1, 2020, February 2, 2019 and October 31, 2020, the estimated fair value of the Amended Term Loan Facility was approximately $2,011.9 million, $1,910.4 million, and $2,190.3 million, respectively, based upon Level 2 fair value hierarchy inputs (Note 1).

As of February 1, 2020, $29.0 million was outstanding, with a weighted average interest rate of 5.3%, under the Amended Revolving Credit Facility. As of February 2, 2019 and October 31, 2020, no amounts were outstanding under the Amended Revolving Credit Facility. At October 31, 2020, $390.2 million was available under the Amended Revolving Credit Facility, which is net of $61.5 million of outstanding letters of credit issued in the normal course of business and a $48.3 million borrowing base reduction for a shortfall in qualifying assets, net of reserves. Unamortized debt issuance costs of $4.9 million, $6.6 million and $3.5 million relating to the Amended Revolving Credit Facility were outstanding and were being amortized using the straight-line method over the remaining term of the agreement as of February 1, 2020, February 2, 2019 and October 31, 2020, respectively.

The Company's obligations under the Senior Secured Credit Facilities are secured by substantially all of the personal property assets of the Company with differing priority rights to the various personal property assets ascribed to each facility. Both credit facility agreements, while not identical, contain certain affirmative and negative covenants related to indebtedness, liens, fundamental changes in the business, investments, restricted payments and agreements and a fixed charge coverage ratio, among other things. As of October 31, 2020, the Company is in compliance with its covenants on the agreements.

The credit agreements governing the Senior Secured Credit Facilities contain customary default provisions including, among others, the failure to make payments when due, defaults under other material indebtedness, non-compliance with covenants, change of control and bankruptcy, the occurrence of any of which would limit the Company's ability to draw on the Amended Revolving Credit Facility and could result in the applicable lenders under the Senior Secured Credit Facilities accelerating the maturity of such indebtedness and foreclosing upon the collateral pledged thereunder.

Amended Term Loan Facility

On June 17, 2016, the Company amended the Term Loan Facility, which consisted of two tranches ("Tranche B-1" and "Tranche B-2"). The covenants of the amended facility were substantially similar to those of the original facility, while the interest rate spread declined. Interest under the amended facility was at the Company's option the bank's alternative base rate ("ABR") or the London Interbank Offered Rate ("LIBOR"), adjusted for statutory reserve requirements ("Adjusted LIBOR"), with Tranche B-1 subject to a 1.00% floor, payable upon maturity of the LIBOR contract, in either case plus the applicable rate. The ABR was the greater of the bank prime rate, federal funds effective rate plus 0.5% or the LIBOR quoted rate plus 1.0% (or 2.0% for Tranche B-1). The applicable rate was 3.00% (previously 3.75%) per annum for Tranche B-1 and 3.25% (previously 4.00%) for Tranche B-2 for an ABR loan or 4.00% (previously 4.75%) per annum for Tranche B-1 and 4.25% (previously 5.00%) for Tranche B-2 for an Adjusted LIBOR loan. Additionally, when the Company's senior secured first lien net leverage ratio falls below 4.00, each of the applicable rate options will be reduced by 0.25%.

On January 27, 2017, the Company amended the Amended Term Loan Facility further and consolidated Tranche B-2 into Tranche B-1. The covenants of the amended facility are substantially similar to those of the existing facility, while the interest rate spread declined. Interest under the Amended Term Loan Facility continues to be at the Company's option the bank's ABR or Adjusted LIBOR subject to a 1.00% floor, payable upon maturity of the LIBOR contract, in either case plus the applicable rate. The ABR is the greater of the bank prime rate, federal funds effective rate plus 0.5% or the LIBOR quoted rate plus 2.0%. The applicable rate is 2.25% (previously 3.00%) per annum for an ABR loan or 3.25% (previously 4.00%) per annum for an Adjusted LIBOR loan. Additionally, when the Company's senior secured first lien net leverage ratio falls below 4.00, each of the applicable rate options will be reduced by 0.25%. Principal payments under the Amended Term Loan Facility are $6.3 million quarterly.

Amended Revolving Credit Facility

On August 23, 2018, the Company amended its Revolving Credit Facility to increase the total availability to $555.0 million and to extend the maturity on $500.0 million of this availability from January 26, 2021 to the earlier of 91 days prior to the maturity of the Amended Term Loan Facility (currently October 27, 2022) or five years from closing. The remaining $55.0 million of availability was set to expire on the original maturity date of January 26, 2021. All other key terms of the Amended Revolving Credit Facility remained unchanged.

Fees relating to the August 23, 2018 amendment consisted of arranger fees and other third party expenses. Approximately $3.1 million of the Amended Revolving Credit Facility fees under the August 23, 2018 amendment were capitalized in the accompanying consolidated balance sheet as a contra-liability, and no loss on debt extinguishment was recognized. The remaining portion of debt issuance costs of the Amended Revolving Credit Facility previously capitalized were set to amortize over the expected remaining term to interest expense using the effective interest rate in effect on the date of issuance.

On December 14, 2018, the Company terminated the $55.0 million additional availability relating to the January 26, 2021 tranche of the Amended Revolving Credit Facility. All other key terms of the Amended Revolving Credit Facility remain unchanged.

The Amended Revolving Credit Facility has availability up to $500.0 million and a $150.0 million letter of credit sub-facility. The availability is limited to a borrowing base, which allows borrowings of up to 90% of eligible accounts receivable plus 90% of the net orderly liquidation value of eligible inventory plus up to $50 million of qualified cash of the Company to which the Company and guarantors have no access, less reserves as determined by the administrative agent. Letters of credit reduce the amount available to borrow under the Amended Revolving Credit Facility by their face value.

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Interest on the Amended Revolving Credit Facility is based on either ABR or Adjusted LIBOR subject to a floor of zero percent, in either case, plus an applicable margin. The applicable margin is currently equal to 25 basis points in the case of ABR loans and 125 basis points in the case of Adjusted LIBOR loans.

The applicable margin is adjusted quarterly based on the average historical excess availability as a percentage of the Line Cap, which represents the lesser of the aggregate Amended Revolving Credit Facility and the borrowing base, as follows:

Average Historical Excess Availability	Applicable Margin for Adjusted LIBOR Loans	Applicable Margin for ABR Loans
Less than 33.3% of the Line Cap	1.75%	0.75%
Less than 66.7% but greater than or equal to 33.3% of the Line Cap	1.50%	0.50%
Greater than or equal to 66.7% of the Line Cap	1.25%	0.25%

The Amended Revolving Credit Facility is subject to an unused commitment fee. If the actual daily utilized portion exceeds 50%, the unused commitment fee is 0.25%. Otherwise, the unused commitment fee is 0.375% and is not dependent upon excess availability.

9. Senior Notes

Floating Rate Senior Notes

On January 26, 2016, the Company issued unsecured senior notes maturing on January 26, 2024 in a private offering (the "Floating Rate Senior Notes"). Debt issuance costs of $26.2 million related to the Floating Rate Senior Notes are being amortized over the contractual term to interest expense using the effective interest rate in effect at issuance. The Floating Rate Senior Notes bear interest at a floating rate equal to three-month LIBOR, subject to a 1.00% floor, plus 8.0% per annum (the "Applicable Margin") payable quarterly in arrears.

At February 1, 2020, the outstanding principal balance of the Floating Rate Senior Notes was $750.0 million and the carrying amount was $734.4 million, net of the unamortized debt issuance costs. The weighted average interest rate on the borrowings outstanding was 9.9% as of February 1, 2020. At February 2, 2019, the outstanding principal balance of the Floating Rate Senior Notes was $750.0 million and the carrying amount was $731.4 million, net of the unamortized debt issuance costs. The weighted average interest rate on the borrowings outstanding was 10.9% as of February 2, 2019. At October 31, 2020, the outstanding principal balance of the Floating Rate Senior Notes was $750.0 million and the carrying amount was $736.9 million, net of the unamortized debt issuance costs. The weighted average interest rate on the borrowings outstanding was 9.1% as of October 31, 2020. At February 1, 2020, February 2, 2019 and October 31, 2020, the estimated fair value of the Floating Rate Senior Notes was approximately $701.7 million, $696.2 million and $750.0 million, respectively, based upon Level 2 fair value hierarchy inputs (Note 1) and the expected timing of repayment or settlement as of each reporting date.

The Company may redeem the Floating Rate Senior Notes at its option, in whole or in part, at par value. The indenture governing the Floating Rate Senior Notes specifies a number of events of default (many of which are subject to applicable cure periods), including, among others, the failure to make payments when due, defaults under other agreements or instruments of indebtedness and non-compliance with covenants. Upon the occurrence of an event of default, the holders of the Floating Rate Senior Notes may declare all amounts outstanding to be immediately due and payable. As of October 31, 2020, the Company is in compliance with its debt covenants.

3.00% Senior Notes

On January 26, 2016, the Company issued senior unsecured notes maturing on January 25, 2019 in a private offering to its members. Interest on the notes was originally 0.75% per annum, payable semi-annually either in cash or by means of capitalizing such interest and adding it to the then outstanding principal amount of the notes.

On April 6, 2019, the Company amended the notes to extend their maturity to July 25, 2019. Interest under these notes (the "3.00% Senior Notes") is now 3.00% per annum, payable upon maturity. On July 25, 2019, February 3, 2020, and September 28, 2020, the Company further amended the notes to extend their maturity to January 25, 2020, January 25, 2021, and January 25, 2023, respectively. At February 1, 2020, February 2, 2019 and October 31, 2020, the outstanding principal balance of the 3.00% Senior Notes was $131.7 million, $127.8 million and $131.7 million, respectively. At February 1, 2020, February 2, 2019 and October 31, 2020, the estimated fair value of the 3.00% Senior Notes was approximately $121.4 million, $127.9 million and $131.7 million, respectively, based upon debt yields and the redemption option, which are considered Level 2 fair value hierarchy inputs (Note 1), and the expected timing of repayment or settlement as of each reporting date. The borrowings are classified as long-term obligations due to the Company's intent and ability to refinance these obligations on a long-term basis.

The Company may redeem the 3.00% Senior Notes at any time, in whole or in part, by paying the then outstanding principal balance plus accrued interest up to the redemption date. The indentures governing the notes specify a number of events of default (subject to applicable cure periods), including, among others, the failure to make payments when due, defaults under other instruments of indebtedness and non-compliance with covenants. Upon the occurrence of an event of default, the holders of the 3.00% Senior Notes may declare all amounts outstanding to be immediately due and payable. The Company is currently in compliance with its covenants under the note indentures.

10. Derivative Instruments

In March 2016, the Company entered into a series of five interest rate cap agreements with four counterparties totaling $1,950.0 million to limit the maximum interest rate on a portion of the Company's variable-rate debt and limit its exposure to interest rate variability when three-month LIBOR exceeds 2.25%.

Terms of the Company's interest rate caps and their fair values are as follows (in thousands):

				Derivative (liability) asset fair value		
	Notional amount	Effective date	Expiration date	February 1, 2020	February 2, 2019	October 31, 2020
	$ 975,000	January 31, 2017	January 31, 2021	$ (2,849)	$ 2,430	$ (720)
	243,750	January 31, 2017	January 31, 2021	(666)	702	(168)
	243,750	January 31, 2017	January 31, 2021	(686)	663	(173)
	243,750	January 31, 2017	January 31, 2021	(664)	701	(168)
	243,750	January 31, 2017	January 31, 2021	(646)	736	(165)
Total	$ 1,950,000			$ (5,511)	$ 5,232	$ (1,394)

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Interest rate caps are reflected in the Company's consolidated balance sheets as follows (in thousands):

(Liabilities) Assets	Balance sheet location	February 1, 2020	February 2, 2019	October 31, 2020
Current asset portion of interest rate caps	Other current assets	$ —	$ 2,865	$ —
Current liability portion of interest rate caps	Accrued expenses and other liabilities	(5,511)	—	(1,394)
Non-current asset portion of interest rate caps	Other long-term assets	—	2,367	—
Total interest rate caps		$ (5,511)	$ 5,232	$ (1,394)

Although the Company is exposed to credit loss in the event of nonperformance by its counterparties, credit risk is considered limited due to the credit ratings of the counterparties and the use of a master netting agreement, which permits the netting of derivative payables and receivables. The Company has not historically incurred, and does not expect to incur in the future any losses as a result of counterparty default. The notional amount of the Company's outstanding derivatives is not an indicator of the magnitude of potential exposure.

The interest rate cap agreements contain provisions that would be triggered in the event the Company defaults on its debt agreements (Note 8 and Note 9), which in turn could impact the assessment of hedge effectiveness or cause termination of the underlying cap agreements. As of October 31, 2020, no events of default have occurred. There is no collateral posting requirement outside the provisions in the debt agreements.

The interest rate caps are accounted for as cash flow hedges because the interest rate caps are expected to be highly effective in hedging variable rate interest payments. Changes in the fair value of the interest rate caps are reported as a component of AOCI. As of February 1, 2020, February 2, 2019 and October 31, 2020, AOCI included unrealized losses of $10.7 million ($7.9 million, net of tax), $1.2 million ($0.9 million, net of tax) and $2.9 million ($2.1 million, net of tax), respectively. Approximately $2.8 million and $1.6 million of pre-tax losses deferred in AOCI were reclassified to interest expense during fiscal 2019 and 2018, respectively. Approximately $7.9 million of pre-tax losses and $0.9 million of pre-tax losses deferred in AOCI were reclassified to interest expense during the thirty-nine weeks ended October 31, 2020 and November 2, 2019, respectively. The Company currently estimates that $2.9 million of pre-tax losses related to trade date costs on its interest rate caps that are currently deferred in AOCI will be reclassified to interest expense in the consolidated statement of operations within the next twelve months. This estimate could vary based on actual amounts as a result of changes in market conditions.

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11. Fair Value Measurements

Assets and Liabilities Measured on a Recurring Basis

The following table presents information about assets and liabilities that are measured at fair value on a recurring basis and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value (in thousands):

	February 1, 2020		
	Level 1	Level 2	Level 3
Assets (liabilities):			
Money market mutual funds	$ 5,919	$ —	$ —
Investments of officer's life insurance	$ —	$ 12,142	$ —
Interest rate caps	$ —	$ (5,511)	$ —
Non-qualified deferred compensation plan	$ —	$(12,075)	$ —

	February 2, 2019		
	Level 1	Level 2	Level 3
Assets (liabilities):			
Money market mutual funds	$40,953	$ —	$ —
Investments of officer's life insurance	$ —	$ 11,676	$ —
Interest rate caps	$ —	$ 5,232	$ —
Non-qualified deferred compensation plan	$ —	$(11,523)	$ —

	October 31, 2020		
	Level 1	Level 2	Level 3
Assets (liabilities):			
Money market mutual funds	$58,299	$ —	$ —
Investments of officer's life insurance	$ —	$ 12,428	$ —
Interest rate caps	$ —	$ (1,394)	$ —
Non-qualified deferred compensation plan	$ —	$(13,225)	$ —

The fair value of money market mutual funds is based on quoted market prices, such as quoted net asset values published by the fund as supported in an active market. Money market mutual funds included in the Company's cash and cash equivalents were $0.0 million and $35.2 million as of February 1, 2020 and February 2, 2019, respectively. Money market mutual funds included in the Company's cash and cash equivalents were $45.2 million as of October 31, 2020. Also included in the Company's money market mutual funds balances were $5.9 million, $5.8 million and $13.1 million as of February 1, 2020, February 2, 2019 and October 31, 2020, respectively, which relate to the Company's restricted cash, and are included in other current assets in the consolidated balance sheets.

The fair values of the interest rate caps are determined using a discounted cash flow analysis on the expected cash flows of each interest rate cap (Note 10). This analysis reflects the contractual terms, including the period to maturity, and uses observable market-based inputs, including interest rate curves. The fair values are determined by netting the discounted future fixed cash receipts payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate yield curves. The Company qualitatively assesses both its own nonperformance risk and the respective counterparties' nonperformance risk in the fair value measurements. The valuations also consider credit risk adjustments, including nonperformance risk, that are necessary to reflect the probability of default by the counterparties' or the Company. As of February 1, 2020, February 2, 2019, and October 31, 2020, the credit risk adjustments were not material.

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The Company maintains a deferred compensation plan for key executives and other members of management, which is fully funded by investments in officers' life insurance. The fair value of this obligation is based on participants' elected investments, which reflect the closing market prices of similar assets.

Assets Measured on a Non-Recurring Basis

The Company's non-financial assets, which primarily consist of goodwill, other intangible assets, fixed assets and equity and cost method investments, are reported at carrying value, or at fair value as of the date of the Acquisition, and are not required to be measured at fair value on a recurring basis. However, on a periodic basis (at least annually for goodwill and indefinite-lived intangibles or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable), non-financial assets are assessed for impairment. If impaired, the carrying values of the assets are written down to fair value using Level 3 inputs.

The Company holds an investment in a pet specialty company, which was previously accounted for under the equity method. In October 2019, the Company concluded that it no longer holds significant influence over the operation and financial policies of this investee. Accordingly, the Company discontinued the equity method of accounting for this investee. Additionally, the carrying value of this investment was reduced from $0.9 million to $0.0 million, as the Company no longer considers the investment to be recoverable. The related loss is included in selling, general, and administrative expenses in the accompanying consolidated statements of loss and comprehensive loss.

In fiscal 2019, the Company determined that the fair value of its reporting unit was greater than its carrying amount, and therefore no goodwill impairment charge was recorded (Note 7). In fiscal 2019, the Company determined that the carrying amount of its trade name exceeded its fair value, resulting in a trade name impairment charge of $19.0 million. The Company recorded impairment charges of $0.7 million on other intangible assets and $3.2 million on its other cost method investments in fiscal 2019. The related losses are included in selling, general, and administrative expenses in the accompanying consolidated statements of loss and comprehensive loss. There were no other indications of impairment of the Company's other intangible assets or equity and cost method investments in fiscal 2019.

In fiscal 2018, the Company determined that the carrying amount of its reporting unit and trade name exceeded their fair values, resulting in impairment charges of $290.2 million and $83.0 million, respectively. There were no other indications of impairment of the Company's indefinite-lived trade name, other intangible assets or equity and cost method investments in fiscal 2018.

The Company recorded fixed asset and right-of-use asset impairment charges of $13.0 million, $7.0 million and $6.0 million in fiscal year 2019 and for the thirty-nine weeks ended October 31, 2020 and November 2, 2019, respectively. Prior to the adoption of ASU 2016-02, the Company recorded fixed asset impairment charges of $15.0 million in fiscal year 2018. Impairment charges related to distribution centers are recorded in cost of sales, whereas impairment charges related to store and corporate locations are recorded in selling, general and administrative expense in the accompanying consolidated statements of loss and comprehensive loss.

12. Employee Benefit Plans

The Company has employee savings plans that permits eligible participants to make contributions by salary reduction pursuant to either section 401(k) of the Internal Revenue Code or under the Company's non-qualified deferred compensation plan.

Prior to January 1, 2019, the Company generally matched 50% of the first 6% of compensation that was contributed by each participating employee to the 401(k) plan. Prior to January 1, 2019, eligible participants that held positions as director and above were limited to a matching contribution of 50% of the first 3% of compensation contributed to the plan. Under the 401(k) plan, the Company match was subject to a 5-year vesting schedule. Employees were required to complete twelve months of service with the Company to participate in the plan.

On January 1, 2019, the Company amended its 401(k) plan. The Company now generally matches 100% of the first 1% plus 50% of the next 5% of compensation contributed by each participating employee. For eligible participants that hold positions as director and above, the Company matches, at its discretion, 100% of the first 1% plus 50% of the next 2% of compensation that is contributed by each participating employee to the plan. The Company match is subject to a 3-year vesting schedule. Employees are now required to complete six months of service with the Company to participate in the amended plan.

Under the Company's non-qualified deferred compensation plan, the Company matches 50% of the first 6% of compensation contributed by each participating employee to the plan from the date of eligibility until the point of time that the participating employee is eligible to participate in the Company's 401(k) plan. Once a participating employee is eligible to participate in the 401(k) plan, the Company match is 50% of the first 3% of compensation contributed by the employee to the plan.

In connection with the required matches, Company contributions to the plans were $6.9 million and $4.9 million for fiscal years 2019 and 2018, respectively. Company contributions to the plans were $4.5 million and $5.1 million for the thirty-nine weeks ended October 31, 2020 and November 2, 2019, respectively.

13. Equity-Based Compensation Expense

Subsequent to the Acquisition, Scooby LP established an incentive plan ("the 2016 Incentive Plan") pursuant to which eligible employees, consultants and non-employee directors of the Company are eligible to receive partnership unit awards ("Series C Units"). Series C Unit awards are restricted profit interests in Scooby LP subject to a distribution threshold and were originally based upon attainment of certain criteria or events as follows:

(1) 50% time-based units that vest in equal installments on each anniversary of the grant date. Upon a change in control, all time-based units become fully vested.

(2) 30% EBITDA-based units that would have vested each year based on specified annual and cumulative EBITDA targets. Upon a change in control, the number of unvested EBITDA-based units that would have vested was dependent upon whether the proceeds resulting from the change in control were greater than the EBITDA-based unit acceleration amount with respect to the investment.

(3) 20% internal rate of return ("IRR")-based units that would have vested upon a change in control if the change in control resulted in an IRR to the Sponsors greater than or equal to 23% and a multiple of invested capital greater than or equal to 2.0.

In July 2018, the Company effected a modification for current employees as follows:

(1) The distribution threshold for time-based units was reduced.

(2) EBITDA-based and IRR-based units were converted to time-based units with a reduced distribution threshold that will vest in five equal installments beginning on the anniversary of the original grant date beginning in calendar year 2019.

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Based on the modified distribution thresholds, the incremental compensation cost related to the modification was $11.0 million, which is being recognized over the remaining term of the grants. Series C Unit awards following the modification are generally issued in the form of time-based units that vest in equal annual installments. Upon a change in control, these units become fully vested.

In October 2018, the Company accelerated the vesting of a portion of Series C Units held by an executive in connection with their separation of employment and in December 2018, the Company accelerated the vesting of Series C Units held by a former board member in connection with their separation from the board. These modifications resulted in $2.1 million of incremental compensation expense recognized during fiscal 2018.

For the Series C Units granted during fiscal 2019 and 2018, the weighted average fair value per unit was estimated to be $0.25 and $0.35, respectively. For the Series C Units granted during the thirty-nine weeks ended October 31, 2020 and November 2, 2019, the weighted average fair value per unit was estimated to be $0.44 and $0.25, respectively.

The weighted average fair value per Series C Unit was calculated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Fiscal years ended		Thirty-nine weeks ended	
	February 1, 2020 (52 weeks)	February 2, 2019 (52 weeks)	October 31, 2020	November 2, 2019
Dividend yield	0.0%	0.0%	0.0%	0.0%
Expected volatility(1)	60.0%	45.0% - 65.0%	60.0 - 81.9%	60.0%
Weighted average volatility (1)	60.0%	58.5%	81.1%	60.0%
Risk-free interest rate(2)	1.4% - 2.3%	2.5% - 3.0%	0.1% - 1.3%	1.4% - 2.3%
Expected term(3)	5.0 years	4.0 to 5.5 years	2.0 to 4.0 years	5.0 years

(1) The expected volatility is estimated based on the historical volatility of a select peer group of similar publicly traded companies for a term that is consistent with the expected term of the Series C Units.
(2) The risk-free interest rates are based on the U.S. Treasury constant maturity interest rate whose term is consistent with the expected term of the Series C Units.
(3) The expected term of the Series C Units is based on estimated liquidity event timing.

Prior to the modification, the Company's IRR-based Series C Units were not valued because they were not deemed probable of vesting.

Series C Unit activity under the 2016 Incentive Plan was as follows (in thousands):

	Units
Series C Units outstanding, February 2, 2019	143,081
Granted	59,120
Forfeited	(18,812)
Series C Units outstanding, February 1, 2020	183,389
Granted	41,685
Forfeited	(10,225)
Series C Units outstanding, October 31, 2020	214,849
Series C Units vested, October 31, 2020	76,402
Series C Units available for future grant, October 31, 2020	24,512

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Charges with respect to awards issued pursuant to the 2016 Incentive Plan are reflected in the Company's consolidated financial statements. The Company recorded $9.5 million and $8.5 million of compensation expense in fiscal 2019 and 2018, respectively. The Company recorded $7.5 million and $7.0 million of compensation expense for the thirty-nine weeks ending October 31, 2020 and November 2, 2019, respectively. Compensation expense related to the Company's Series C Units is generally not tax deductible.

In July 2019, 1.4 million Series B Units of Scooby LP were granted to an executive, resulting in $0.7 million of compensation expense and a corresponding income tax benefit of $0.2 million recognized during fiscal 2019. Vested Series B Units and Series C Units of Scooby LP contain provisions whereby the holder may require Scooby LP to repurchase these units upon a termination event due to death or disability. The Company is not required to repurchase its own membership units upon the occurrence of such an event.

As of October 31, 2020, unrecognized compensation expense related to the unvested portion of the Company's Series C Units was $27.8 million, which is expected to be recognized over a weighted average period of 3.1 years.

14. Income Taxes

Income tax benefit consisted of the following (in thousands):

	Fiscal years ended		Thirty-nine weeks ended	
	February 1, 2020 (52 weeks)	February 2, 2019 (52 weeks)	October 31, 2020	November 2, 2019
Current:				
Federal	$ 4,273	$ 2,504	$ (29,439)	$ (4,048)
State	5,156	3,404	9,013	2,090
	$ 9,429	$ 5,908	$ (20,426)	$ (1,958)
Deferred:				
Federal	$ (34,814)	$ (43,657)	$ 13,950	$ (20,379)
State	(10,273)	(8,091)	(7,061)	(5,926)
	$ (45,087)	$ (51,748)	$ 6,889	$ (26,305)
Income tax benefit	$ (35,658)	$ (45,840)	$ (13,537)	$ (28,263)

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A reconciliation of income tax benefit at the federal statutory rate with the provision for income taxes is as follows (in thousands):

	Fiscal years ended			
	February 1, 2020 (52 weeks)		February 2, 2019 (52 weeks)	
Income tax benefit at federal statutory rate	$(27,524)	21.0%	$(96,473)	21.0%
Non-deductible expenses	1,986	(1.5)	60,691	(13.3)
State taxes, net of federal tax benefit	(4,073)	3.1	(3,714)	0.8
U.S. tax reform	—	—	(2,252)	0.5
Tax credits	(4,150)	3.2	(3,616)	0.8
Other, net	(1,897)	1.5	(476)	0.1
	$(35,658)	27.3%	$(45,840)	9.9%

	Thirty-nine weeks ended			
	October 31, 2020		November 2, 2019	
Income tax benefit at federal statutory rate	$ (6,938)	21.0%	$(24,479)	21.0%
Non-deductible expenses	1,858	(5.6)	1,358	(1.1)
State taxes, net of federal tax benefit	1,542	(4.7)	(3,842)	3.3
Tax credits	(1,500)	4.6	(1,334)	1.1
Transition impact of CARES Act	(8,499)	25.7	—	—
Other, net	—	—	34	(0.1)
	$(13,537)	41.0%	$(28,263)	24.2%

Income tax expense for fiscal 2018 was impacted by the adjustment of deferred tax assets and liabilities related to the reduction in the U.S. federal statutory income tax rate from 35% to 21% under the U.S. Tax Cuts and Jobs Act ("Tax Act"), which was enacted on December 22, 2017. The Company re-measured certain deferred tax assets and liabilities based on the federal rate at which they are expected to reverse in the future, which is generally 21%.

The increase in the effective tax rate in fiscal 2019 is primarily due to the non-deductible goodwill impairment charge impacting the rate in fiscal 2018 (Note 7). The decrease in the federal statutory rate in fiscal 2018 is due to changes in the federal tax rate, as applied to fiscal year taxpayers, as a result of the Tax Act. In accordance with the Tax Act, as a fiscal year taxpayer, a blended tax rate should be determined based on the applicable rates before and after the change and the number of days in the period within the taxable year before and after the effective date of the change in tax rate.

On March 27, 2020, in response to the COVID-19 pandemic, the "Coronavirus Aid, Relief and Economic Security Act" ("CARES Act") was signed into law by the President of the United States. The CARES Act includes, among other things, U.S. corporate income tax provisions related to net operating loss carryback periods, alternative minimum tax credits, modifications to interest deduction limitations and technical corrections on tax depreciation methods for qualified improvement property. The Company re-measured deferred tax assets related to $67.4 million net operating losses available under the CARES Act that are expected to be carried back to the fiscal year(s) before the Tax Act was enacted, which resulted in a benefit of $8.5 million that increased the effective tax rate in the thirty-nine weeks ended October 31, 2020 when compared to the thirty-nine weeks ended November 2, 2019.

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Significant components of the Company's deferred tax assets and liabilities were as follows (in thousands):

	February 1, 2020	February 2, 2019	October 31, 2020
Deferred tax assets:			
Inventory	$ 17,449	$ 16,124	$ 19,683
Deferred rent	—	8,868	—
Accrued employee benefits	31,203	34,301	39,677
Net operating losses, state tax credit carryforwards	6,539	2,659	6,811
Interest expense limitation carry-forward under IRC §163(j)	54,330	26,015	19,263
Store closure reserves	—	5,276	—
Lease-related items	332,546	—	365,753
Other	6,339	4,177	5,201
Total deferred tax assets	448,406	97,420	456,388
Valuation allowance	(5,068)	(428)	(6,755)
Net deferred tax assets	443,338	96,992	449,633
Deferred tax liabilities:			
Fixed assets	(73,159)	(73,467)	(71,132)
Intangible assets	(261,773)	(265,468)	(264,198)
Debt restructuring	(15,551)	(20,023)	(12,112)
Lease-related items	(341,278)	(24,646)	(358,038)
Investments in joint ventures	(14,942)	(15,567)	(15,874)
Other	(1,911)	(2,024)	(1,100)
Total deferred tax liabilities	(708,614)	(401,195)	(722,454)
	$ (265,276)	$ (304,203)	$ (272,821)

Effective fiscal 2018, the Tax Act includes changes to the amount of tax deductible business interest expense available in a taxable year. Generally, the amount of deductible business interest that can be deducted in a current taxable year cannot exceed the sum of 30% of the taxpayer's adjusted taxable income for the year, plus the taxpayer's business interest income for the year. Effective fiscal 2020, the CARES Act amended the amount of deductible business interest that can be deducted in a current taxable year to not exceed 50% of the taxpayers adjusted taxable income for tax years 2019 and 2020. The amount of business interest expense disallowed as a deduction in the current year may be carried forward indefinitely. As of October 31, 2020, the Company has recorded a deferred tax asset of $19.3 million reflecting the benefit of $83.9 million in interest limitation carryforwards.

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. With the exception to certain state net operating losses discussed below, management believes that it is more likely than not that the Company will realize the benefits of these deductible differences. This is based upon future reversals of existing taxable temporary differences and projections for future taxable income over the periods in which the deferred tax assets are deductible. The Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

As of October 31, 2020, the Company has recorded a deferred tax asset of $2.5 million reflecting the benefit of $45.6 million in state income tax net operating loss carryforwards, which will begin to expire in fiscal 2020. The Company has recorded a deferred tax asset of $0.9 million reflecting the benefit of $3.8 million of federal income tax net operating loss carryforwards, which will begin to expire in fiscal 2033. The Company believes that it is more likely than not that the state net operating loss carryforward will not be realized. In recognition of this risk, the Company recorded a valuation allowance of $2.5 million on the deferred tax asset related to these state net operating loss carryforwards as of October 31, 2020. The Company recorded a deferred tax asset of $3.4 million for certain state tax credits as of October 31, 2020. The Company believes it is more likely than not that these credits will not be realized and has recorded a $2.8 million valuation allowance related to these credits. If or when recognized, the tax benefits related to any reversal of the valuation allowance on deferred tax assets will be accounted for as a reduction of income tax expense.

Unrecognized tax benefits were not material as of February 1, 2020, February 2, 2019, and October 31, 2020. Changes in unrecognized tax benefits were not material during fiscal 2019 and 2018, and the thirty-nine week periods ended October 31, 2020 and November 2, 2019. The Company does not anticipate that unrecognized tax benefits will significantly increase or decrease over the next 12 months. The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense.

The Company is no longer subject to examination for U.S. federal income tax for periods prior to fiscal 2015. The Company is no longer subject to examination by state tax authorities for tax periods prior to fiscal 2012. The Company is currently under audit by various state jurisdictions for various years. Though the estimated completion dates of these audits are not known, it is possible that these audits will be completed within the next 12 months. In addition, the Company does not foresee other material changes to the federal or state uncertain tax positions affecting income tax expense within the next 12 months. The Company has no material foreign operations.

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15. Accumulated Other Comprehensive Income (Loss)

Changes in the balances of each component included in AOCI are presented below (net of tax, in thousands):

	Derivatives	Equity securities	Foreign currency translation adjustment	Total
Balance at February 3, 2018	$ 2,572	$ 158	$ (1,020)	$ 1,710
Other comprehensive loss before reclassifications	(3,434)	—	(79)	(3,513)
Amounts reclassified from AOCI	1,215	—	—	1,215
Other comprehensive loss	(2,219)	—	(79)	(2,298)
Cumulative effect adjustments	(1,226)	(158)	(223)	(1,607)
Balance at February 2, 2019	$ (873)	$ —	$ (1,322)	$(2,195)
Other comprehensive (loss) income before reclassifications	(9,088)	—	952	(8,136)
Amounts reclassified from AOCI	2,058	—	—	2,058
Other comprehensive (loss) income	(7,030)	—	952	(6,078)
Balance at February 1, 2020	$ (7,903)	$ —	$ (370)	$(8,273)

	Derivatives	Equity securities	Foreign currency translation adjustment	Total
Balance at February 1, 2020	$ (7,903)	$ —	$ (370)	$(8,273)
Other comprehensive loss before reclassifications	(77)	—	(3,747)	(3,824)
Amounts reclassified from AOCI	5,846	—	—	5,846
Other comprehensive income (loss)	5,769	—	(3,747)	2,022
Balance at October 31, 2020	$ (2,134)	$ —	$ (4,117)	$(6,251)

	Derivatives	Equity securities	Foreign currency translation adjustment	Total
Balance at February 2, 2019	$ (873)	$ —	$ (1,322)	$ (2,195)
Other comprehensive loss before reclassifications (unaudited)	(9,030)	—	(143)	(9,173)
Amounts reclassified from AOCI (unaudited)	694	—	—	694
Other comprehensive loss (unaudited)	(8,336)	—	(143)	(8,479)
Balance at November 2, 2019 (unaudited)	$ (9,209)	$ —	$ (1,465)	$(10,674)

PET ACQUISITION LLC

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd
(Information for the thirty-nine weeks ended November 2, 2019 is unaudited)

16. Commitments and Contingencies

Baseball Stadium Naming Rights Commitment

In March 2003, the Company entered into an agreement with San Diego Ballpark Funding LLC and Padres L.P. to name the San Diego Padres' new stadium Petco Park. The naming rights include signage, advertising and other promotional benefits. The agreement term is 22 years. Pursuant to the agreement, the Company pays an annual contract fee. Fees for fiscal 2019 and 2018 were $4.0 million and $3.8 million, respectively. Fees for both of the thirty-nine weeks ended October 31, 2020 and November 2, 2019 were $3.0 million. These fees are included in selling, general and administrative expenses in the consolidated statements of loss and comprehensive loss, and will be adjusted by the maximum annual change related to the San Diego consumer price index per year through 2026.

COVID-19

The COVID-19 pandemic has been a highly disruptive economic and societal event that has affected the business and has had a significant impact on consumer shopping behavior. To serve pet parents while also providing for the safety of employees, the Company has adapted certain aspects of the business. Throughout the crisis, the Company continues to monitor the rapidly evolving situation and will continue to adapt its operations to address federal, state and local standards, meet the needs of pets and pet parents, and implement standards that the Company believes to be in the best interest of the safety and well-being of its employees. The duration and severity of the pandemic remains uncertain.

Litigation

The Company is involved in the legal proceedings and is subject to other claims and litigation arising in the ordinary course of its business. The Company has made accruals with respect to certain of these matters, where appropriate, which are reflected in the Company's consolidated financial statements but are not, individually or in the aggregate, considered material. For other matters, the Company has not made accruals because management has not yet determined that a loss is probable or because the amount of loss cannot be reasonably estimated. While the ultimate outcome of the matters cannot be determined, the Company currently does not expect that these matters will have a material adverse effect on its consolidated financial statements. The outcome of any litigation is inherently uncertain, however, and if decided adversely to the Company, or if the Company determines that settlement of particular litigation is appropriate, the Company may be subject to liability that could have a material adverse effect on its consolidated financial statements.

PET ACQUISITION LLC

SCHEDULE I – CONDENSED FINANCIAL INFORMATION OF PET ACQUISITION LLC (PARENT COMPANY)

All operating activities of the Company are conducted by the subsidiaries. PET Acquisition LLC is a holding company and does not have any material assets or conduct business operations other than investments in subsidiaries. The Senior Secured Credit Facilities and Floating Rate Senior Notes of Petco Animal Supplies, Inc., a wholly owned subsidiary of PET Acquisition LLC, contain provisions whereby Petco Animal Supplies, Inc. has restrictions on the ability to pay dividends, loan funds and make other upstream distributions to PET Acquisition LLC.

These condensed parent company financial statements have been prepared using the same accounting principles and policies described in the notes to the consolidated financial statements. Refer to the consolidated financial statements and notes presented above for additional information and disclosures with respect to these condensed financial statements.

PET ACQUISITION LLC

SCHEDULE I – CONDENSED FINANCIAL INFORMATION OF PET ACQUISITION LLC (PARENT COMPANY)

BALANCE SHEETS (In thousands)

	February 1, 2020	February 2, 2019	October 31, 2020
ASSETS			
Cash and cash equivalents	$ 100,002	$ 100,002	$ 100,002
Other current assets	1,487	538	2,217
Other long-term assets	139	135	142
Investment in subsidiary	599,549	665,161	590,844
Total assets	$ 701,177	$ 765,836	$ 693,205
LIABILITIES AND MEMBERS' EQUITY			
Current liabilities	$ 17	$ —	$ 24
Senior notes	131,703	127,839	131,703
Other liabilities	66	88	3,029
Total liabilities	131,786	127,927	134,756
Members' equity:			
Members' interest	1,358,130	1,347,622	1,365,490
Accumulated deficit	(780,466)	(707,518)	(800,790)
Accumulated other comprehensive loss	(8,273)	(2,195)	(6,251)
Total members' equity	569,391	637,909	558,449
Total liabilities and members' equity	$ 701,177	$ 765,836	$ 693,205

PET ACQUISITION LLC

SCHEDULE I – CONDENSED FINANCIAL INFORMATION OF PET ACQUISITION LLC (PARENT COMPANY)

STATEMENTS OF LOSS (In thousands)

	Fiscal years ended		Thirty-nine weeks ended	
	February 1, 2020 (52 weeks)	February 2, 2019 (52 weeks)	October 31, 2020	November 2, 2019 (unaudited)
Equity in loss of subsidiary	$ (92,967)	$(412,989)	$ (18,087)	$ (86,422)
Selling, general, and administrative expenses	(4)	(4)	(6)	(3)
Interest expense, net	(3,851)	(1,008)	(2,961)	(2,889)
Loss before income taxes	(96,822)	(414,001)	(21,054)	(89,314)
Income tax benefit	(949)	(213)	(730)	(612)
Net loss	$ (95,873)	$(413,788)	$ (20,324)	$ (88,702)

PET ACQUISITION LLC

SCHEDULE I – CONDENSED FINANCIAL INFORMATION OF PET ACQUISITION LLC (PARENT COMPANY)

STATEMENTS OF CASH FLOWS (In thousands)

	Fiscal years ended		Thirty-nine weeks ended	
	February 1, 2020 (52 weeks)	February 2, 2019 (52 weeks)	October 31, 2020	November 2, 2019 (unaudited)
Cash flows from operating activities:				
Net loss	$ (95,873)	$(413,788)	$ (20,324)	$ (88,702)
Adjustments to reconcile net income to net cash provided in operating activities:				
Equity in loss of subsidiary	92,967	412,989	18,087	86,422
Changes in assets and liabilities	2,906	799	2,237	2,280
Net cash provided by operating activities	—	—	—	—
Net change in cash and cash equivalents	—	—	—	—
Cash and cash equivalents at beginning of year	100,002	100,002	100,002	100,002
Cash and cash equivalents at end of year	$ 100,002	$ 100,002	$ 100,002	$ 100,002

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48,000,000 Shares

Class A Common Stock

petco
THE HEALTH + WELLNESS CO.

PROSPECTUS

Goldman Sachs & Co. LLC

BofA Securities

Citigroup

Evercore ISI

Credit Suisse

UBS Investment Bank

Wells Fargo Securities

Baird

Guggenheim Securities

AmeriVet Securities

C.L. King & Associates

R. Seelaus & Co., LLC

Ramirez & Co., Inc.

Siebert Williams Shank

Through and including , 2021 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

PART II
INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 13. Other Expenses of Issuance and Distribution

Set forth below are the expenses (other than underwriting discounts) expected to be incurred in connection with the issuance and distribution of the securities registered hereby. With the exception of the SEC registration fee and the FINRA filing fee, the amounts set forth below are estimates.

SEC registration fee	$ 102,379
FINRA filing fee	141,260
Nasdaq listing fee	295,000
Printing expenses	734,025
Fees and expenses of legal counsel	3,750,000
Accounting and consulting fees and expenses	2,627,267
Transfer agent and registrar fees	10,000
Miscellaneous	340,069
Total	$ 8,000,000

Item 14. Indemnification of Directors and Officers

We are currently organized as a Delaware limited liability company. Prior to the effectiveness of this registration statement, we will convert into a Delaware corporation pursuant to a statutory conversion and change its name to Petco Health and Wellness Company, Inc. Our certificate of incorporation will provide that a director will not be liable to the corporation or its stockholders for monetary damages to the fullest extent permitted by the DGCL. In addition, if the DGCL is amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the corporation, in addition to the limitation on personal liability provided for in our certificate of incorporation, will be limited to the fullest extent permitted by the amended DGCL. Our bylaws will provide that the corporation will indemnify, and advance expenses to, any officer or director to the fullest extent authorized by the DGCL.

Section 145 of the DGCL provides that a corporation may indemnify directors and officers and other employees and individuals against expenses, including attorneys' fees, judgments, fines, and amounts paid in settlement in connection with specified actions, suits, and proceedings whether civil, criminal, administrative, or investigative, other than a derivative action by or in the right of the corporation, if they acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe their conduct was unlawful. A similar standard is applicable in the case of derivative actions, except that indemnification extends only to expenses, including attorneys' fees, incurred in connection with the defense or settlement of such action and the statute requires court approval before there can be any indemnification where the person seeking indemnification has been found liable to the corporation. The statute provides that it is not exclusive of other indemnification that may be granted by a corporation's certificate of incorporation, bylaws, disinterested director vote, stockholder vote, agreement, or otherwise.

Our bylaws will also contain indemnification rights for our directors and our officers. Specifically, our bylaws will provide that we shall indemnify our officers and directors to the fullest extent authorized by the DGCL.

Further, we expect to obtain and maintain directors' and officers' insurance to cover our directors, officers, and some of our employees for certain liabilities.

We expect to enter into written indemnification agreements with our directors and executive officers. The indemnification agreements will provide our directors and executive officers with contractual rights to indemnification, and expense advancement and reimbursement, to the fullest extent permitted under the DGCL, subject to certain exceptions contained in those agreements.

The underwriting agreement provides for indemnification by the underwriters of us and our officers and directors, and by us of the underwriters, for certain liabilities arising under the Securities Act or otherwise in connection with this offering. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers, or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Item 15. Recent Sales of Unregistered Securities

3.00% Senior Notes

In January 2016, we issued 0.75% Senior Unsecured Notes in an initial aggregate principal amount of $125,000,000 to Scooby LP and other noteholders. On April 16, 2019, the notes were extended, amended, and restated with an interest rate of 3.00% (with effectiveness from January 26, 2019). The notes were issued pursuant to the exemption from registration afforded by Section 4(a)(2) of the Securities Act and were subsequently extended, amended, and restated on July 25, 2019, February 3, 2020, and September 28, 2020.

Item 16. Exhibits and Financial Statement Schedules

(a) The following documents are filed as exhibits to this Registration Statement:

Exhibit Number	Description of Document
1.1	Form of Underwriting Agreement
3.1#	Form of Second Amended and Restated Certificate of Incorporation
3.2#	Form of Second Amended and Restated Bylaws
4.1#	Form of Registration Rights Agreement
4.2#	Form of Stockholder's Agreement
5.1	Opinion of Gibson, Dunn & Crutcher LLP as to the legality of the securities being registered
10.1†#	Form of Petco Health and Wellness Company, Inc. 2020 Equity Incentive Plan
10.2†#	Form of Indemnification Agreement
10.3†#	Employment Agreement between Petco Animal Supplies, Inc. and Ronald Coughlin, Jr. dated June 4, 2018
10.4†#	Employment Agreement between Petco Animal Supplies Stores, Inc. and Michael Nuzzo dated April 8, 2015
10.5†#	Amendment to Employment Agreement between Petco Animal Supplies Stores, Inc., Scooby LP, and Michael Nuzzo dated January 26, 2016
10.6†#	Employment Agreement between Petco Animal Supplies, Inc. and Darren MacDonald dated May 25, 2019
10.7†#	Employment Letter between Petco Animal Supplies Stores, Inc. and Justin Tichy dated September 17, 2018
10.8†#	Employment Letter between Petco Animal Supplies Stores, Inc. and Michelle Bonfilio dated October 3, 2018
10.9†#	Employment Letter between Petco Animal Supplies Stores, Inc. and Laura Wilkin dated May 2, 2018
10.10†#	Release of Claims Agreement between Petco Animal Supplies Stores, Inc., Scooby LP, PET Acquisition LLC, and Laura Wilkin dated August 13, 2019

—	Description of Document
10.11†#	Form of Common Series C Unit Award Agreement
10.12†#	Retention Bonus Agreement between Petco Animal Supplies Stores, Inc. and Michelle Bonfilio dated April 1, 2020
10.13†#	Second Amended and Restated Special Retention Bonus Agreement between Petco Animal Supplies, Inc. and Michael Nuzzo dated December 3, 2020
10.14#	Term Loan Credit Agreement, dated as of January 26, 2016, among Pet Acquisition Merger Sub LLC, as initial borrower, Petco Animal Supplies, Inc., as successor borrower, the Lenders party thereto and Citibank, N.A., as Administrative Agent and Collateral Agent
10.15#	Revolving Credit Agreement, dated as of January 26, 2016, among Pet Acquisition Merger Sub LLC, as initial borrower, Petco Animal Supplies, Inc., as successor borrower, the Lenders party thereto and Citibank, N.A., as Administrative Agent and Collateral Agent
10.16#	Term Loan Guarantee and Collateral Agreement, dated as of January 26, 2016, among Pet Acquisition Merger Sub LLC, as initial borrower, Petco Animal Supplies, Inc., as successor borrower, each other Grantor party thereto and Citibank, N.A., as Administrative Agent and Collateral Agent
10.17#	ABL Guarantee and Collateral Agreement, dated as of January 26, 2016, among Pet Acquisition Merger Sub LLC, as initial borrower, Petco Animal Supplies, Inc., as successor borrower, each other Grantor party thereto and Citibank, N.A., as Administrative Agent and Collateral Agent
10.18#	Intercreditor Agreement, dated as of January 26, 2016, among Citibank, N.A., as ABL Agent and Initial Term Loan Agent, Pet Acquisition Merger Sub LLC, as the initial borrower under the Initial Term Loan Credit Agreement and the ABL Credit Agreement, Petco Animal Supplies, Inc., as the borrower under the Initial term Loan Credit Agreement and the ABL Credit Agreement and each subsidiary of Petco Holdings, Inc. that is a party thereto
10.19#	First Amendment Agreement, dated as of June 17, 2016, to the Term Loan Credit Agreement, dated as of January 26, 2016, among, inter alios, Petco Holdings, Inc. LLC (f/k/a Petco Holdings, Inc.), Petco Animal Supplies, Inc., the Lenders from time to time party thereto and Citibank, N.A., as Administrative Agent and Collateral Agent
10.20#	Second Amendment Agreement, dated as of January 27, 2017, to the Term Loan Credit Agreement, dated as of January 26, 2016 (as amended by the First Amendment Agreement dated as of June 17, 2016), among, inter alios, Petco Holdings, Inc. LLC (f/k/a Petco Holdings, Inc.), Petco Animal Supplies, Inc., the Lenders from time to time party thereto and Citibank, N.A., as Administrative Agent and Collateral Agent
10.21#	First Amendment Agreement, dated as of August 23, 2018, to the Revolving Credit Agreement, dated as of January 26, 2016, among, inter alios, Petco Holdings, Inc. LLC (f/k/a Petco Holdings, Inc.), Petco Animal Supplies, Inc., the Guarantor signatories thereto, the Lenders from time to time party thereto and Citibank, N.A., as Administrative Agent and Collateral Agent
10.22†#	Form of Petco Health and Wellness Company, Inc. 2020 Employee Stock Purchase Plan
10.23†#	Amended and Restated Employment Agreement between Petco Animal Supplies Stores, Inc. and Ronald Coughlin, Jr. dated December 3, 2020
16.1#	Letter from KPMG LLP to SEC, dated November 20, 2020
21.1	List of Subsidiaries
23.1	Consent of Gibson, Dunn & Crutcher LLP (included in 5.1 above)
23.2	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm
24.1#	Power of Attorney (included on the signature page of this Registration Statement)

—	Description of Document
99.1	Consent of Sabrina Simmons, as director nominee
99.2	Consent of Mary Sullivan, as director nominee

† Management contract or compensatory plan or arrangement.
# Previously filed.

(b) Financial Statement Schedules:

Schedule I

Parent Company Condensed Financial Information required to be filed under this item are set forth on pages F-43 through F-46.

Item 17. Undertakings

The undersigned registrant hereby undertakes to provide to the underwriter at the completion specified in the underwriting agreements certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that,

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in San Diego, State of California, on the 6th day of January, 2021.

PET Acquisition LLC

By: /s/ Ronald Coughlin, Jr.
Name: Ronald Coughlin, Jr.
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on the 6th day of January, 2021.

Signature	Title
/s/ Ronald Coughlin, Jr. Ronald Coughlin, Jr.	Chief Executive Officer (principal executive officer)
* Michael Nuzzo	Chief Financial Officer and Chief Operating Officer (principal financial and accounting officer)
* Maximilian Biagosch	Director
* Cameron Breitner	Director
* Gary Briggs	Director
* Nishad Chande	Director
* Lars Haegg	Director
* Christy Lake	Director
* Jennifer Pereira	Director
* Christopher J. Stadler	Director

*By: /s/ Ronald Coughlin, Jr.
Ronald Coughlin, Jr.
As Attorney-in-Fact

Exhibit 1.1

Petco Health and Wellness Company, Inc.

Class A Common Stock, par value $0.001 per share

Underwriting Agreement

[●], 2021

Goldman Sachs & Co. LLC
BofA Securities, Inc.
As representatives (the “Representatives”) of the several Underwriters
named in Schedule I hereto,

c/o Goldman Sachs & Co. LLC
200 West Street
New York, New York 10282-2198

c/o BofA Securities, Inc.
One Bryant Park
New York, New York 10036

Ladies and Gentlemen:

Petco Health and Wellness Company, Inc., a Delaware corporation (the “Company”), proposes, subject to the terms and conditions stated in this agreement (this “Agreement”), to issue and sell to the Underwriters named in Schedule I hereto (the “Underwriters”) an aggregate of [●] shares (the “Firm Shares”) and, at the election of the Underwriters, up to [●] additional shares (the “Optional Shares”) of Class A Common Stock, par value $0.001 per share (“Stock”), of the Company (the Firm Shares and the Optional Shares that the Underwriters elect to purchase pursuant to Section 2 hereof being collectively called the “Shares”).

BofA Securities, Inc. (the “Directed Share Underwriter”) has agreed to reserve up to [●] Shares to be purchased by it under this Agreement for sale at the direction of the Company to certain parties related to the Company (collectively, “Participants”). The Shares to be sold by the Directed Share Underwriter pursuant to the Company’s directed share program (the “Directed Share Program”) are hereinafter called the “Directed Shares.” Any Directed Shares not confirmed for purchase by the deadline established therefor by the Directed Share Underwriter in consultation with the Company will be offered to the public by the Underwriters as set forth in the Prospectus.

The Company hereby confirms its engagement of BofA Securities, Inc. as, and BofA Securities, Inc. hereby confirms its agreement with the Company to render services as, a “qualified independent underwriter” within the meaning of Rule 5121(f)(12) of Financial Industry Regulatory Authority (“FINRA”) with respect to the offering and sale of the Shares.

1. The Company represents and warrants to, and agrees with, each of the Underwriters that:

(a) A registration statement on Form S-1 (File No. 333-251107) (the "Initial Registration Statement") in respect of the Shares has been filed with the Securities and Exchange Commission (the "Commission"); the Initial Registration Statement and any post-effective amendment thereto, each in the form heretofore delivered to you, have been declared effective by the Commission in such form; other than a registration statement, if any, increasing the size of the offering (a "Rule 462(b) Registration Statement"), filed pursuant to Rule 462(b) under the Securities Act of 1933, as amended (the "Securities Act"), which became effective upon filing, no other document with respect to the Initial Registration Statement has been filed with the Commission; and no stop order suspending the effectiveness of the Initial Registration Statement, any post-effective amendment thereto or the Rule 462(b) Registration Statement, if any, has been issued and no proceeding for that purpose has been initiated or, to the Company's knowledge, threatened by the Commission (any preliminary prospectus included in the Initial Registration Statement or filed with the Commission pursuant to Rule 424(a) of the rules and regulations of the Commission under the Securities Act is hereinafter called a "Preliminary Prospectus"; the various parts of the Initial Registration Statement and the Rule 462(b) Registration Statement, if any, including all exhibits thereto and including the information contained in the form of final prospectus filed with the Commission pursuant to Rule 424(b) under the Securities Act in accordance with Section 5(a) hereof and deemed by virtue of Rule 430A under the Securities Act to be part of the Initial Registration Statement at the time it was declared effective, each as amended at the time such part of the Initial Registration Statement became effective or such part of the Rule 462(b) Registration Statement, if any, became or hereafter becomes effective, are hereinafter collectively called the "Registration Statement"; the Preliminary Prospectus relating to the Shares that was included in the Registration Statement immediately prior to the Applicable Time (as defined in Section 1(c) hereof) is hereinafter called the "Pricing Prospectus"; such final prospectus, in the form first filed pursuant to Rule 424(b) under the Securities Act, is hereinafter called the "Prospectus"; any oral or written communication with potential investors undertaken in reliance on Rule 163B under the Securities Act is hereinafter called a "Testing-the-Waters Communication"; and any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405 under the Securities Act is hereinafter called a "Written Testing-the-Waters Communication"; and any "issuer free writing prospectus" as defined in Rule 433 under the Securities Act relating to the Shares is hereinafter called an "Issuer Free Writing Prospectus");

(b) (A) No order preventing or suspending the use of any Preliminary Prospectus or any Issuer Free Writing Prospectus has been issued by the Commission, and (B) each Preliminary Prospectus, at the time of filing thereof, conformed in all material respects to the applicable requirements of the Securities Act and the rules and regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided*, *however*, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter Information (as defined in Section 9(b) of this Agreement);

(c) For the purposes of this Agreement, the "Applicable Time" is [●] [a/p]m (Eastern time) on the date of this Agreement. The Pricing Prospectus, as supplemented by the information listed on Schedule II(b) hereto, taken together (collectively, the "Pricing Disclosure Package"), as of the Applicable Time, did not, and as of each Time of Delivery (as defined in Section 4(a) of this Agreement) will not, include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and each Issuer Free Writing Prospectus and each Written Testing-the-Waters Communication does not conflict with the information contained in the Registration Statement, the Pricing Prospectus or the Prospectus and each Issuer Free Writing Prospectus and each Written Testing-the-Waters Communication, as supplemented by and taken together with the Pricing Disclosure Package, as of the Applicable Time, did not, and as of each Time of Delivery will not, include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to statements or omissions made in reliance upon and in conformity with the Underwriter Information;

(d) The Registration Statement conforms, and the Prospectus and any further amendments or supplements to the Registration Statement and the Prospectus will conform, in all material respects to the applicable requirements of the Securities Act and the rules and regulations of the Commission thereunder and do not and will not, as of the applicable effective date as to each part of the Registration Statement and any amendment thereto, as of the applicable filing date as to the Prospectus and any amendment or supplement thereto, and as of each Time of Delivery, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with the Underwriter Information;

(e) Neither the Company nor any of its subsidiaries has, since the date of the latest audited financial statements included in the Pricing Prospectus, (i) sustained any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree or (ii) entered into any transaction or agreement (whether or not in the ordinary course of business) that is material to the Company and its subsidiaries taken as a whole or incurred any liability or obligation, direct or contingent, that is material to the Company and its subsidiaries taken as a whole, in each case otherwise than as set forth or contemplated in the Pricing Prospectus; and, since the respective dates as of which information is given in the Registration Statement and the Pricing Prospectus, there has not been (x) any change in the capital stock (other than as a result of (i) the exercise, if any, of stock options or the award, if any, of stock options or restricted stock in the ordinary course of business pursuant to the Company's equity plans that are described in the Pricing Prospectus and the Prospectus or (ii) the issuance, if any, of stock upon conversion of Company securities as described in the Pricing Prospectus and the Prospectus) or long-term debt of the Company or any of its subsidiaries or (y) any Material Adverse Effect (as defined below); as used in this Agreement, "Material Adverse Effect" shall mean any material adverse change or effect, or any development involving a prospective material adverse change or effect, in or affecting (i) the business, properties, general affairs, management, financial position, stockholders' equity or results of operations of the Company and its subsidiaries, taken as a whole, except as set forth or contemplated in the Pricing Prospectus, or (ii) the ability of the Company to perform its obligations under this Agreement, including the issuance and sale of the Shares, or to consummate the transactions contemplated in the Pricing Prospectus and the Prospectus;

(f) The Company and its subsidiaries have good and marketable title in fee simple to all real property and good and marketable title to all personal property owned by them, in each case free and clear of all liens, encumbrances and defects except such as are described in the Pricing Prospectus or such as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and its subsidiaries; and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases, and neither the Company nor any subsidiary has notice of any claim affecting or questioning the rights of the Company or any subsidiary to the continued possession of the property or buildings held under any lease, in each case, with such exceptions as are not material and do not materially interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries;

(g) Each of the Company and each of its subsidiaries has been (i) duly organized and is validly existing and in good standing under the laws of its jurisdiction of organization, with power and authority (corporate and other) to own its properties and conduct its business as described in the Pricing Prospectus, and (ii) duly qualified as a foreign corporation or other form of entity for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, except, in the case of this clause (ii), where the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and the Company does not own or control, directly or indirectly, any corporation or other entity other than (x) the subsidiaries listed in Exhibit 21.1 to the Registration Statement and (y) any corporation or other entity that, if considered in the aggregate as a single subsidiary, would not constitute a "significant subsidiary" (as such term is defined in Item 1-02(w) of Regulation S-X) as of the end of the Company's most recent fiscal year;

(h) The Company has an authorized capitalization as set forth in the Pricing Prospectus and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued and are fully paid and non-assessable and conform to the description of the Stock contained in the Pricing Disclosure Package and Prospectus; and all of the issued shares of capital stock of, or other equity interests in, each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable, if applicable, and (except, in the case of any foreign subsidiary, for directors' qualifying shares) are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims, except for such liens or encumbrances described in the Pricing Prospectus and the Prospectus;

(i) The Shares to be issued and sold by the Company to the Underwriters hereunder have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein, will be duly and validly issued and fully paid and non-assessable and will conform to the description of the Stock contained in the Pricing

Disclosure Package and the Prospectus; and the issuance of the Shares is not subject to any preemptive or similar rights;

(j) The issue and sale of the Shares and the execution, delivery and performance by the Company of or under this Agreement and the consummation of the transactions contemplated in this Agreement and the Pricing Prospectus will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, as applicable, (A) any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of its subsidiaries is subject, except, in the case of this clause (A) for such defaults, breaches, or violations that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (B) the certificate of incorporation or by-laws (or other applicable organizational document) of the Company or any of its subsidiaries, or (C) any statute applicable to the Company or any of its subsidiaries or any of their properties or any judgment, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties, except in the case of this clause (C) for such violations that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Shares or the consummation by the Company of the transactions contemplated by this Agreement, except such as have been obtained under the Securities Act, the approval by the FINRA of the underwriting terms and arrangements and such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters;

(k) Neither the Company nor any of its subsidiaries is (i) in violation of its certificate of incorporation or by-laws (or other applicable organizational document), (ii) in violation of any statute applicable to the Company or any of its subsidiaries or any of their properties or any judgment, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties, or (iii) in default in the performance or observance of any obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound, except, in the case of the foregoing clauses (ii) and (iii), for such violations or defaults as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(l) The statements set forth in the Pricing Prospectus and the Prospectus under the caption “Description of Capital Stock,” insofar as they purport to constitute a summary of the terms of the Stock, and under the caption “Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders,” insofar as they purport to describe the provisions of the laws and documents referred to therein, are accurate, complete and fair in all material respects;

(m) Other than as set forth in the Pricing Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries or, to the Company’s knowledge, any officer or director of the Company, is a party or of which any property of the Company or any of its subsidiaries or, to the Company’s knowledge, any officer or director of the Company, is the subject which, if determined adversely to the Company or any of its subsidiaries (or such officer or director), would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and, to the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or others;

(n) The Company is not and, after giving effect to the offering and sale of the Shares and the application of the proceeds thereof, will not be an "investment company," as such term is defined in the Investment Company Act of 1940, as amended;

(o) At the time of filing the Initial Registration Statement and any post-effective amendment thereto, at the earliest time thereafter that the Company or any offering participant made a bona fide offer (within the meaning of Rule 164(h)(2) under the Securities Act) of the Shares, and at the date hereof, the Company was not and is not an "ineligible issuer," as defined under Rule 405 under the Securities Act;

(p) Ernst & Young LLP, who has certified certain financial statements of the Company and its subsidiaries, has confirmed to the Company that it is an independent registered public accounting firm with respect to the Company as required by the Securities Act and the rules and regulations of the Commission thereunder;

(q) The Company maintains a system of internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that (i) complies with the applicable requirements of the Exchange Act, (ii) has been designed by the Company's principal executive officer and principal financial officer, or under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the applicable provisions of U.S. generally accepted accounting principles ("GAAP") and (iii) is sufficient to provide reasonable assurance that (A) transactions are executed in accordance with management's general or specific authorization, (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with the applicable provisions of GAAP and to maintain accountability for assets, (C) access to assets is permitted only in accordance with management's general or specific authorization and (D) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences; and the Company's internal control over financial reporting is effective and the Company is not aware of any material weaknesses in its internal control over financial reporting;

(r) Since the date of the latest audited financial statements included in the Pricing Prospectus, there has been no change in the Company's internal control over financial reporting that has materially and adversely affected, or is reasonably likely to materially and adversely affect, the Company's internal control over financial reporting;

(s) The Company maintains disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act) that comply with the applicable requirements of the Exchange Act; such disclosure controls and procedures have been designed to provide reasonable assurance that material information relating to the Company and its subsidiaries is made known to the Company's principal executive officer and principal financial officer by others within those entities; and such disclosure controls and procedures are effective;

(t) The Company has the full right, power and authority to execute and deliver this Agreement, to perform its obligations hereunder and to consummate the actions contemplated hereby and in the Pricing Prospectus; all action required to be taken for the due and proper authorization, execution and delivery by the Company of this Agreement and the consummation by the Company of the transactions contemplated in this Agreement and the Pricing Prospectus has been duly and validly taken; and this Agreement has been duly authorized, executed and delivered by the Company;

(u) None of the Company or any of its subsidiaries nor, to the Company's knowledge, any director, officer, agent, employee, controlled affiliate or other person acting on behalf of the Company or any of its subsidiaries has (i) made, offered, promised or authorized any unlawful contribution, gift or entertainment, or other unlawful expense; (ii) made, offered, promised or authorized any direct or indirect unlawful payment; (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended, the Bribery Act 2010 of the United Kingdom, as amended, applicable laws implementing the principles described in the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions of the OECD or any other applicable anti-bribery or anti-corruption law; (iv) made, offered, promised or authorized any direct or indirect unlawful payment or benefit to any foreign or domestic government official or employee, including of any government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office (or taken any act in furtherance thereof); or (v) made, offered, agreed, requested or taken an act in furtherance of any unlawful bribe or other unlawful benefit, including, without limitation, any unlawful rebate, payoff, influence payment, kickback or other unlawful or improper payment or benefit. The Company and its subsidiaries have implemented and maintain, and will continue to maintain, policies and procedures reasonably designed to promote and ensure compliance with all applicable anti-bribery and anti-corruption laws;

(v) The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with the requirements of applicable anti-money laundering laws, including, but not limited to, the Bank Secrecy Act of 1970, as amended by the USA PATRIOT ACT of 2001, and the rules and regulations promulgated thereunder, and the anti-money laundering laws of the various jurisdictions in which the Company and its subsidiaries conduct business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency having jurisdiction over the Company or any of its subsidiaries (collectively, the "Money Laundering Laws") and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Money Laundering Laws is pending or, to the Company's knowledge, threatened;

(w) None of the Company or any of its subsidiaries, nor, to the Company's knowledge, any director, officer, agent, employee or controlled affiliate of the Company or any of its subsidiaries is currently the subject of any sanctions administered or enforced by the U.S. Government, including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury, or the U.S. Department of State and including, without limitation, the designation as a "specially designated national" or "blocked person," the European Union, Her Majesty's Treasury, the United Nations Security Council, or other relevant sanctions authority (collectively, “Sanctions”), nor is the Company or any of its subsidiaries located, organized or resident in a country or territory that is the subject or the target of Sanctions (including, without limitation, the Crimea region of Ukraine, Cuba, Iran, North Korea and Syria), and the Company will not directly or indirectly use the proceeds of the offering of the Shares hereunder, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity (i) to fund or facilitate any activities of or business with any person, or in any country or territory, that, at the time of such funding, is the subject or the target of Sanctions or (ii) in any other manner that will result in a violation by any person (including any person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions; the Company, its subsidiaries and, to the Company’s knowledge, its controlled affiliates, are in compliance with applicable Sanctions; the Company, its subsidiaries and, to the Company’s knowledge, their respective directors, officers, agents, employees, controlled affiliates and other persons acting on behalf of the Company are in compliance with applicable Sanctions in all material respects; and for the past five years, the Company and its subsidiaries have not knowingly engaged in and are not now knowingly engaged in any dealings or transactions with any person that at the time of the dealing or transaction is or was the subject or the target of Sanctions or with any Sanctioned country;

(x) The financial statements included in the Registration Statement, the Pricing Prospectus and the Prospectus, together with the related schedules and notes, present fairly in all material respects the financial position of the Company and its subsidiaries at the dates indicated and the statement of operations, stockholders’ equity and cash flows of the Company and its subsidiaries for the periods specified; said financial statements have been prepared in conformity with applicable provisions of GAAP applied on a consistent basis throughout the periods involved. The supporting schedules, if any, present fairly in all material respects in accordance with applicable provisions of GAAP the information required to be stated therein. The selected financial data and the summary financial information included in the Registration Statement, the Pricing Prospectus and the Prospectus present fairly the information shown therein and have been compiled on a basis consistent with that of the audited financial statements included therein. Except as included therein, no historical or pro forma financial statements or supporting schedules are required to be included in the Registration Statement, the Pricing Prospectus or the Prospectus under the Securities Act or the rules and regulations promulgated thereunder. All disclosures contained in the Registration Statement, the Pricing Prospectus and the Prospectus regarding “non-GAAP financial measures” (as such term is defined by the rules and regulations of the Commission) comply in all material respects with Regulation G of the Exchange Act and Item 10 of Regulation S-K of the Act, to the extent applicable;

(y) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (i) with respect to each “employee benefit plan” (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”)) that is sponsored, maintained or contributed to by the Company or any of its subsidiaries, (each, a “Plan”), no prohibited transaction, within the meaning of Section 406 of ERISA or Section 4975 of the Code, has occurred, excluding transactions effected pursuant to a statutory or administrative exemption, (ii) each Plan is in material compliance with applicable law, including, without limitation, ERISA and the Code, (iii) neither the Company nor any member of its “Controlled Group” (defined as an entity, whether or not incorporated, that is under common control with the Company or its subsidiaries within the meaning of Section 4001(a)(14) of ERISA or any entity that would be regarded as a single employer with the Company under Section 414(b), (c), (m) or (o) of the Internal Revenue Code of 1986, as amended (the “Code”)) has incurred or reasonably expects to incur any liability under Title IV of ERISA (other than contributions to the Plan or premiums to the Pension Benefit Guaranty Corporation in the ordinary course and without default) and (iv) each Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination or opinion letter from the Internal Revenue Service upon which it can rely and, to the Company's knowledge, nothing has occurred, whether by action or by failure to act, which could reasonably be expected to cause the loss of such qualification;

(z) The Company and its subsidiaries have paid all federal, state, local and foreign taxes and filed all tax returns required to be paid or filed through the date hereof, except for any taxes which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP, or where the failure to pay or file would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and except as otherwise disclosed in the Registration Statement, the Pricing Prospectus and the Prospectus, there is no tax deficiency that has been asserted in writing against the Company or any of its subsidiaries or any of their respective properties or assets, except for such deficiencies as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(aa) The Company and its subsidiaries possess all licenses, certificates, permits and other authorizations (collectively, the "Government Licenses") issued by, and have made all declarations and filings with, the appropriate federal, state, local or foreign governmental or regulatory authorities that are necessary for the ownership or lease of their respective properties or the conduct of their respective businesses as described in the Registration Statement, the Pricing Prospectus and the Prospectus, except where the failure to possess or make the same would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; the Company and its subsidiaries are in compliance with the terms and conditions of all such Governmental Licenses, except where the failure so to comply would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect; and neither the Company nor any of its subsidiaries has received notice of any revocation or modification (or proceedings related thereto) of any Governmental License or has any reason to believe that any Governmental License will not be renewed in the ordinary course, in each case, except where such revocation, modification, or non-renewal would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(bb) The Company and its subsidiaries own or possess, or believe they can acquire on commercially reasonable terms, adequate rights to use all material patents, patent applications, trademarks, service marks, trade names, trademark registrations, service mark registrations, copyrights, licenses, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures) and other intellectual property rights (collectively, "Intellectual Property") necessary for the conduct of their respective businesses as currently conducted and as currently proposed to be conducted in all material respects, and, to the Company's knowledge, the conduct of their respective businesses do not and will not conflict in any material respect with any such rights of others. The Company and its subsidiaries have not received any notice of any claim of infringement, misappropriation or conflict with any such rights of others in connection with its Intellectual Property or of any facts or circumstances which would render any Intellectual Property invalid or inadequate to protect the interest of the Company or any of its subsidiaries therein, in each case, which would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(cc) The Company and its subsidiaries have insurance covering their respective properties, operations, personnel and businesses, including business interruption insurance, which insurance is in amounts and insures against such losses and risks as are customary for businesses such as the Company's and its subsidiaries; and neither the Company nor any of its subsidiaries has (i) received notice from any insurer or agent of such insurer that capital improvements or other expenditures are required or necessary to be made in order to continue such insurance or (ii) any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage at reasonable cost from similar insurers as may be necessary to continue its business;

(dd) The Company and its subsidiaries, except as would not reasonably be expected to result in a Material Adverse Effect, (i) are in compliance with any and all applicable environmental laws and regulations relating to the protection of human health and safety, the environment or the generation, release, storage, transportation or disposal of or human exposure to hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses as currently conducted ("Environmental Permits") and (iii) are in compliance with all terms and conditions of any such Environmental Permit. To the Company's knowledge, there are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) which would, singly or in the aggregate, have a Material Adverse Effect;

(ee) Except as described in the Registration Statement, the Pricing Prospectus and the Prospectus, the Company and its subsidiaries are and have been in compliance in all material respects with all applicable privacy, data security and data protection laws, regulations, internal and external policies, judgments, orders, rules and regulations of any court or arbitrator or governmental or regulatory authority, applicable contractual requirements and industry standards in all relevant jurisdictions; the Company and its subsidiaries have implemented, and have requested that third party vendors implement, adequate policies, procedures, safeguards, and commercially reasonable security (i) regarding the collection, use, disclosure, retention, processing, transfer, confidentiality, integrity, and availability of personal data, including all personally identifiable, sensitive, confidential or regulated data ("Personal Data") or the Company's proprietary or sensitive information, in their possession, custody, or control, or held or processed on their behalf, and (ii) regarding the integrity, redundancy, security and availability of the information technology assets and equipment, computers, systems, networks, hardware, software, websites, databases and applications ("IT Systems") the Company and its subsidiaries own, operate, or outsource; except as would not reasonably be expected to have a Material Adverse Effect, (x) the Company and its subsidiaries have not experienced an information security incident that has compromised the integrity or availability of the IT Systems that the Company and its subsidiaries own, operate, or outsource, and (y) there has been no loss, damage or unauthorized access, disclosure, use, or breach of security of any IT

Systems or information in the possession, custody, or control, or otherwise held or processed on behalf of the Company and its subsidiaries; except as described in the Registration Statement, the Pricing Prospectus and the Prospectus, the Company and its subsidiaries have not received notice of any claims, investigations, or alleged violations of law, regulation, or contract with respect to personal data or information security-related incidents, nor have the Company and its subsidiaries notified in writing, or been required by applicable law, regulation, or contract to notify in writing, any person or entity of any personal data or information security-related incident;

(ff) The Company and its subsidiaries' IT Systems are adequate for, and operate and perform in all material respects as required in connection with, the operation of the business of the Company and its subsidiaries as currently conducted, and, to the Company's knowledge, are free and clear of all material bugs, errors, defects, Trojan horses, time bombs, malware and other corruptants;

(gg) No labor disturbance by or dispute with employees of the Company or any of its subsidiaries exists or, to the Company's knowledge, is contemplated or threatened, and the Company is not aware of any existing or imminent labor disturbance by, or dispute with, the employees of any of its or its subsidiaries' principal suppliers, contractors or customers, in each case, except as would not reasonably be expected to have a Material Adverse Effect;

(hh) Except as disclosed in the Registration Statement, the Pricing Prospectus and the Prospectus, no person has the right to require the Company or any of its subsidiaries to register any securities for sale under the Securities Act by reason of the filing of the Registration Statement with the Commission or the issuance and sale of the Shares;

(ii) No relationship, direct or indirect, exists between or among the Company or any of its subsidiaries, on the one hand, and the directors, officers, stockholders, customers or suppliers of the Company or any of its subsidiaries, on the other, that is required by the Securities Act to be described in the Registration Statement and the Prospectus and that is not so described in such documents and in the Pricing Prospectus;

(jj) No forward-looking statement (within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act) contained in the Registration Statement, the Pricing Prospectus or the Prospectus has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith;

(kk) Nothing has come to the attention of the Company that has caused the Company to believe that the statistical and market-related data included in the Registration Statement, the Pricing Disclosure Package and the Prospectus is not based on or derived from sources that are reliable and accurate in all material respects;

(ll) Neither the Company nor any of its controlled affiliates has taken, directly or indirectly, any action which is designed to or which has constituted or which would reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares;

(mm) The application of the proceeds received by the Company from the issuance, sale and delivery of the Shares as described in the Registration Statement, the Pricing Prospectus and the Prospectus will not violate Regulation T of the Board of

Governors of the Federal Reserve System or any other regulation of such Board of Governors;

(nn) There is and has been no failure on the part of the Company or, to the Company's knowledge, any of the Company's directors or officers, in their capacities as such, to comply in all material respects with any provision of the Sarbanes-Oxley Act of 2002, as amended, including Section 402 related to loans and Sections 302 and 906 related to certifications;

(oo) Neither the Company nor any of its subsidiaries is a party to any contract, agreement or understanding with any person (other than this Agreement) that would give rise to a valid claim against the Company or any of its subsidiaries or any Underwriter for a brokerage commission, finder's fee or like payment in connection with the offering and sale of the Shares;

(pp) The Registration Statement, the Pricing Disclosure Package, the Prospectus, any Preliminary Prospectus, any Issuer Free Writing Prospectuses and any Written Testing-the-Waters Communication comply in all material respects, and any further amendments or supplements thereto will comply in all material respects, with any applicable laws or regulations of foreign jurisdictions in which the Pricing Disclosure Package, the Prospectus, any Preliminary Prospectus, any Issuer Free Writing Prospectus and any Written Testing-the-Waters Communication, as amended or supplemented, if applicable, are distributed in connection with the Directed Share Program;

(qq) No authorization, approval, consent, license, order, registration or qualification of or with any government, governmental instrumentality or court, other than such as have been obtained, is necessary under the securities laws and regulations of foreign jurisdictions in which the Directed Shares are offered outside the United States;

(rr) The Company has specifically directed in writing the allocation of Shares to each Participant in the Directed Share Program, and neither the Directed Share Underwriter nor any other Underwriter has had any involvement or influence, directly or indirectly, in such allocation decision; and

(ss) The Company has not offered, or caused the Directed Share Underwriter or its affiliates to offer, Shares to any person pursuant to the Directed Share Program (i) for any consideration other than the cash payment of the initial public offering price per share set forth in Schedule II(b) hereof or (ii) with the specific intent to unlawfully influence (x) a customer or supplier of the Company to alter the customer or supplier's terms, level or type of business with the Company or (y) a trade journalist or publication to write or publish favorable information about the Company or its products.

2. Subject to the terms and conditions herein set forth, (a) the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at a purchase price per share of $[●], the number of Firm Shares set forth opposite the name of such Underwriter in Schedule I hereto, and (b) in the event and to the extent that the Underwriters shall exercise the election to purchase Optional Shares as provided below, the Company agrees to issue and sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at the purchase price per share set forth in clause (a) of this Section 2 (provided that the purchase price per Optional Share shall be reduced by an amount per share equal to any dividends or distributions declared by the Company

and payable on the Firm Shares but not payable on the Optional Shares), that portion of the number of Optional Shares as to which such election shall have been exercised (to be adjusted by you so as to eliminate fractional shares) determined by multiplying such number of Optional Shares by a fraction, the numerator of which is the maximum number of Optional Shares which such Underwriter is entitled to purchase as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the maximum number of Optional Shares that all of the Underwriters are entitled to purchase hereunder.

The Company hereby grants to the Underwriters the right to purchase at their election up to [●] Optional Shares, at the purchase price per share set forth in the paragraph above, for the sole purpose of covering sales of shares in excess of the number of Firm Shares, provided that the purchase price per Optional Share shall be reduced by an amount per share equal to any dividends or distributions declared by the Company and payable on the Firm Shares but not payable on the Optional Shares. Any such election to purchase Optional Shares may be exercised only by written notice from you to the Company, given within a period of 30 calendar days after the date of this Agreement, setting forth the aggregate number of Optional Shares to be purchased and the date on which such Optional Shares are to be delivered, as determined by you but in no event earlier than the First Time of Delivery (as defined in Section 4 hereof) or, unless you and the Company otherwise agree in writing, earlier than two or later than ten business days after the date of such notice.

3. Upon the authorization by you of the release of the Firm Shares, the several Underwriters propose to offer the Firm Shares for sale upon the terms and conditions set forth in the Pricing Prospectus and the Prospectus.

4. (a) The Shares to be purchased by each Underwriter hereunder, in definitive or book-entry form, and in such authorized denominations and registered in such names as the Representatives may request upon at least 48 hours' prior notice to the Company shall be delivered by or on behalf of the Company to the Representatives, through the facilities of the Depository Trust Company ("DTC"), for the account of such Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor by wire transfer of Federal (same-day) funds to the account specified by the Company to the Representatives at least 48 hours in advance. The Company will cause the certificates, if any, representing the Shares to be made available for checking and packaging at least 24 hours prior to the Time of Delivery (as defined below) with respect thereto at the office of DTC or its designated custodian (the "Designated Office"). The time and date of such delivery and payment shall be, with respect to the Firm Shares, 9:30 a.m., New York City time, on [●], 2021 or such other time and date as the Representatives and the Company may agree upon in writing, and, with respect to the Optional Shares, 9:30 a.m., New York time, on the date specified by the Representatives in the written notice given by the Representatives of the Underwriters' election to purchase such Optional Shares, or such other time and date as the Representatives and the Company may agree upon in writing. Such time and date for delivery of the Firm Shares is herein called the "First Time of Delivery," such time and date for delivery of the Optional Shares, if not the First Time of Delivery, is herein called the "Second Time of Delivery," and each such time and date for delivery is herein called a "Time of Delivery."

(b) The documents to be delivered at each Time of Delivery by or on behalf of the parties hereto pursuant to Section 8 hereof, including the cross receipt for the Shares and any additional documents requested by the Underwriters pursuant to Section 8(m) hereof, will be delivered at the offices of Latham & Watkins LLP, 885 Third Avenue, New York, NY 10022(the "Closing Location"), and the Shares will be delivered at the Designated Office, all at such Time of Delivery. A meeting will be held at the Closing Location at [●] p.m., New York City time, on the New York Business Day next preceding such Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto. "New York Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in New York City are generally authorized or obligated by law or executive order to close.

5. The Company agrees with each of the Underwriters:

(a) To prepare the Prospectus in a form approved by you and to file such Prospectus pursuant to Rule 424(b) under the Securities Act not later than the Commission's close of business on the second business day following the execution and delivery of this Agreement, or, if applicable, such earlier time as may be required by Rule 430A(a)(3) under the Securities Act; to make no further amendment or any supplement to the Registration Statement or the Prospectus prior to the last Time of Delivery which shall be disapproved by you promptly after reasonable notice thereof; to advise you, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any amendment or supplement to the Prospectus has been filed and to furnish you with copies thereof; to file promptly all materials required to be filed by the Company with the Commission pursuant to Rule 433(d) under the Securities Act; to advise you, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or other prospectus in respect of the Shares, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or the Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or other prospectus in respect of the Shares or suspending any such qualification, to promptly use its best efforts to obtain the withdrawal of such order;

(b) Promptly from time to time to take such action as you may reasonably request to qualify the Shares for offering and sale under the securities laws of such jurisdictions as you may reasonably request and to comply with such laws so as to permit the continuance of sales and dealings therein in such jurisdictions for as long as may be necessary to complete the distribution of the Shares, provided that in connection therewith the Company shall not be required to qualify as a foreign corporation (where not otherwise required) or to file a general consent to service of process in any jurisdiction (where not otherwise required);

(c) Prior to 10:00 a.m., New York City time, on the New York Business Day next succeeding the date of this Agreement (or such other time and date as the Representatives and the Company may agree upon) and from time to time, to furnish the Underwriters with written and electronic copies of the Prospectus in New York City in such quantities as you may reasonably request, and, if the delivery of a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Securities Act) is required at any time prior to the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Shares and if at such time any event shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Securities Act) is delivered, not misleading, or, if for any other reason it shall be necessary during such same period to amend or supplement the Prospectus in order to comply with the Securities Act, to notify you and upon your request to prepare and furnish without charge to each Underwriter and to any dealer (whose name and address the Underwriters shall furnish to the Company in connection with such request) in securities as many written and electronic copies as you may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance; and in case any Underwriter is required to deliver a prospectus (or in lieu thereof, the notice referred to in Rule 173(a) under the Securities Act) in connection with sales of any of the Shares at any time nine months or more after the time of issue of the Prospectus, upon your request but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many written and electronic copies as you may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Securities Act;

(d) To make generally available to its securityholders as soon as practicable (which may be satisfied by filing with the Commission's Electronic Data Gathering, Analysis and Retrieval System or any successor thereto ("EDGAR")), but in any event not later than 16 months after the effective date of the Registration Statement (as defined in Rule 158(c) under the Securities Act), an earnings statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder (including, at the option of the Company, Rule 158);

(e)(1) During the period beginning from the date hereof and continuing to and including the date 180 days after the date of the Prospectus (the "Lock-Up Period"), not to (i) offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise transfer or dispose of, directly or indirectly, or file with the Commission a registration statement under the Securities Act relating to, any securities of the Company that are substantially similar to the Shares, including, but not limited to, any options or warrants to purchase shares of Stock or any securities that are convertible into or exchangeable for, or that represent the right to receive, Stock or any such substantially similar securities, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing (to the extent the Company confidentially submits a registration statement during the Lock-Up Period, it will promptly provide the Representatives with notice thereof) or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Stock or any such other securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Stock or such other securities, in cash or otherwise (other than the Shares to be sold hereunder or pursuant to employee stock option plans existing on, or upon the conversion or exchange of convertible or exchangeable securities outstanding as of, the date of this Agreement), without the prior written consent of Goldman Sachs & Co. LLC and BofA Securities, Inc.; provided, however, that the foregoing restrictions shall not apply to the filing by the Company of any registration statement on Form S-8 or a successor form thereto relating to any employee stock options plans described in the Registration Statement and the Prospectus;

(e)(2) If Goldman Sachs & Co. LLC and BofA Securities, Inc., in their sole discretion, agree to release or waive the restrictions set forth in a lock-up letter described in Section 8(k) hereof for an officer or director of the Company and provide the Company with notice of the impending release or waiver at least three business days before the effective date of the release or waiver, the Company agrees to announce the impending release or waiver by a press release substantially in the form of Annex I hereto through a major news service at least two business days before the effective date of the release or waiver;

(f) So long as the Company is subject to the reporting requirements of either Section 13 or Section 15(d) of the Exchange Act, to furnish to its stockholders as soon as practicable after the end of each fiscal year an annual report (including a balance sheet and statements of income, stockholders' equity and cash flows of the Company and its consolidated subsidiaries certified by independent public accountants) and, as soon as practicable after the end of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the effective date of the Registration Statement), to make available to its stockholders consolidated summary financial information of the Company and its subsidiaries for such quarter in reasonable detail; provided that no report or other information need to be furnished pursuant to this Section 5(f) to the extent that it is available on EDGAR;

(g) During a period of three years from the effective date of the Registration Statement, so long as the Company is subject to the reporting requirements of either Section 13 or 15(d) of the Exchange Act, to furnish to you copies of all reports or other communications (financial or other) furnished to stockholders, and to deliver to you as soon as they are available, copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange on which any class of securities of the Company is listed; provided that no report, communication or other information need to be furnished pursuant to this Section 5(g) to the extent that it is available on EDGAR;

(h) To use the net proceeds received by it from the sale of the Shares pursuant to this Agreement in the manner specified in the Pricing Prospectus under the caption "Use of Proceeds";

(i) To use its best efforts to list for quotation the Shares on the Nasdaq Global Select Market ("Nasdaq");

(j) To file with the Commission such information on Form 10-Q or Form 10-K as may be required by Rule 463 under the Securities Act;

(k) If the Company elects to rely upon Rule 462(b), the Company shall file a Rule 462(b) Registration Statement with the Commission in compliance with Rule 462(b) by 10:00 p.m., Washington, D.C. time, on the date of this Agreement, and the Company shall at the time of filing either pay to the Commission the filing fee for the Rule 462(b) Registration Statement or give irrevocable instructions for the payment of such fee pursuant to Rule 3a(c) of the Commission's Informal and Other Procedures (17 CFR 202.3a);

(l) Upon written request of any Underwriter, to furnish, or cause to be furnished, to such Underwriter an electronic version of the Company's trademarks, servicemarks and corporate logo for use on the website, if any, operated by such Underwriter for the purpose of facilitating the on-line offering of the Shares (the "License"); provided, however, that the License shall be used solely for the purpose described above, is granted without any fee and may not be assigned or transferred;

(m) To deliver to each Underwriter (or its agent), on the date of execution of this Agreement, a properly completed and executed Certification Regarding Beneficial Owners of Legal Entity Customers (the "Certification"), together with copies of identifying documentation, in respect of the Company and each beneficial owner of 10% or more of the Company's outstanding share capital, satisfying the beneficial ownership due diligence requirements of the Financial Crimes Enforcement Network, and the Company undertakes to provide such additional supporting documentation as each Underwriter may reasonably request in connection with the verification of the foregoing Certification;

(n) To not take, directly or indirectly, any action designed to or that could reasonably be expected to cause or result in any stabilization or manipulation of the price of the Stock; and

(o) To comply with all applicable securities and other laws, rules and regulations in each jurisdiction in which the Directed Shares are offered in connection with the Directed Share Program.

6. (a) The Company represents and agrees that, without the prior consent of the Representatives, it has not made and will not make any offer relating to the Shares that would constitute a "free writing prospectus" as defined in Rule 405 under the Securities Act; each Underwriter represents and agrees that, without the prior consent of the Company and the Representatives, it has not made and will not make any offer relating to the Shares that would constitute a free writing prospectus required to be filed with the Commission; any such free writing prospectus the use of which has been consented to by the Company and the Representatives is listed on Schedule II(a) hereto;

(b) The Company has complied and will comply with the requirements of Rule 433 under the Securities Act applicable to any Issuer Free Writing Prospectus, including timely filing with the Commission or retention where required and legending; and the Company represents that it has satisfied and agrees that it will satisfy the conditions under Rule 433 under the Securities Act to avoid a requirement to file with the Commission any electronic roadshow;

(c) The Company agrees that if at any time following issuance of an Issuer Free Writing Prospectus or Written Testing-the-Waters Communication any event occurred or occurs as a result of which such Issuer Free Writing Prospectus or Written Testing-the-Waters Communication would conflict with the information in the Registration Statement, the Pricing Prospectus or the Prospectus or would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances then prevailing, not misleading, the Company will give prompt notice thereof to the Representatives and, if requested by the Representatives, will prepare and furnish without charge to each Underwriter an Issuer Free Writing Prospectus, Written Testing-the-Waters Communication or other document which will correct such conflict, statement or omission**;** provided, however, that this representation and warranty shall not apply to any statements or omissions in an Issuer Free Writing Prospectus made in reliance upon and in conformity with Underwriter Information;

(d) The Company represents and agrees that (i) it has not engaged in, or authorized any other person to engage in, any Testing-the-Waters Communications, other than Testing-the-Waters Communications with the prior consent of the Representatives with entities that the Company reasonably believes are qualified institutional buyers as defined in Rule 144A under the Securities Act ("QIBs") or institutions that are accredited investors as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Securities Act; and (ii) it has not distributed, or authorized any other person to distribute, any Written Testing-the-Waters Communications, other than those distributed with the prior consent of the Representatives that are listed on Schedule III(c) hereto; and the Company reconfirms that the Underwriters have been authorized to act on its behalf in engaging in Testing-the-Waters Communications; and

(e) Each Underwriter represents and agrees that any Testing-the-Waters Communications undertaken by it were with entities that such Underwriter reasonably believes are QIBs or institutions that are accredited investors as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Securities Act.

7. The Company covenants and agrees with the several Underwriters that the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Shares under the Securities Act and all other expenses in connection with the preparation, printing, reproduction and filing of the Registration Statement, any Preliminary Prospectus, any Written Testing-the-Waters Communication, any Issuer Free Writing Prospectus and the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of printing or producing any Agreement among Underwriters, this Agreement, the Blue Sky survey, closing documents (including any compilations thereof) and any other documents in connection with the offering, purchase, sale and delivery of the Shares; (iii) all expenses in connection with the qualification of the Shares for offering and sale under state securities laws as provided in Section 5(b) hereof, including the reasonable and documented fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky survey; (iv) all fees and expenses in connection with listing the Shares on Nasdaq; (v) all fees and disbursements of counsel for the Underwriters in connection with the Directed Share Program and stamp duties, similar taxes or duties or other taxes, if any, incurred by the Underwriters in connection with the Directed Share Program; (vi) the filing fees incident to, and the reasonable and documented fees and disbursements of counsel for the Underwriters in connection with, any required review by FINRA of the terms of the sale of the Shares (including the fees and expenses of BofA Securities, Inc., acting as "qualified independent underwriter" within the meaning of the aforementioned FINRA Rule 5121); (vii) the cost of preparing stock certificates; (viii) the cost and charges of any transfer agent or registrar; (ix) all of the Company's travel expenses in connection with any "roadshow" presentation to investors; (x) the Company and the Underwriters shall each pay 50% of the cost of any chartered plane, chartered jet or other chartered aircraft used in connection with any "roadshow" presentation to investors; and (xi) all other costs and expenses incident to the performance of its

obligations hereunder which are not otherwise specifically provided for in this Section 7; provided that the aggregate amount of fees of counsel payable by the Company pursuant to subsections (iii) and (vi) shall not exceed $35,000. It is understood, however, that, except as provided in this Section 7, and Sections 9, 10 and 13 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, stock transfer taxes on resale of any of the Shares by them, and any advertising expenses connected with any offers they may make.

8. The obligations of the Underwriters hereunder, as to the Shares to be delivered at each Time of Delivery, shall be subject, in their discretion, to the condition that all representations and warranties and other statements of the Company herein are, at and as of the Applicable Time and such Time of Delivery, true and correct, the condition that the Company shall have performed all of its obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) under the Securities Act within the applicable time period prescribed for such filing by the rules and regulations under the Securities Act and in accordance with Section 5(a) hereof; all materials required to be filed by the Company pursuant to Rule 433(d) under the Securities Act shall have been filed with the Commission within the applicable time period prescribed for such filing by Rule 433; if the Company has elected to rely upon Rule 462(b) under the Securities Act, the Rule 462(b) Registration Statement shall have become effective by 10:00 p.m., Washington, D.C. time, on the date of this Agreement; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; no stop order suspending or preventing the use of the Pricing Prospectus, Prospectus or any Issuer Free Writing Prospectus shall have been initiated or threatened by the Commission; and all requests for additional information on the part of the Commission shall have been complied with to your reasonable satisfaction;

(b) Latham & Watkins LLP, counsel for the Underwriters, shall have furnished to you such written opinion and negative assurance letter, each dated for such Time of Delivery, in form and substance satisfactory to you, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(c) Gibson, Dunn & Crutcher LLP, counsel for the Company, shall have furnished to you such written opinion as set forth in Annex II and negative assurance letter, each dated for such Time of Delivery, in form and substance satisfactory to you, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(d) On the date of the Prospectus at a time prior to or contemporaneously with the execution of this Agreement, at 9:30 a.m., New York City time, on the effective date of any post-effective amendment to the Registration Statement filed subsequent to the date of this Agreement and also at each Time of Delivery, Ernst & Young LLP shall have furnished to you a letter or letters, dated the respective dates of delivery thereof, in form and substance satisfactory to you;

(e) The Company shall have furnished to the Representatives a certificate, dated the respective dates of delivery thereof and addressed to the Underwriters, of its chief financial officer with respect to certain financial data contained in the Pricing Disclosure Package and the Prospectus, providing "management comfort" with respect to such information, in form and substance reasonably satisfactory to the Representatives;

(f) (i) Neither the Company nor any of its subsidiaries shall have sustained since the date of the latest audited financial statements included in the Pricing Prospectus any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Pricing Prospectus, and (ii) since the respective dates as of which information is given in the Pricing Prospectus there shall not have been any change in the capital stock (other than as a result of the exercise, if any, of stock options or the settlement of other equity-based awards described as outstanding in, and the award, if any, of stock options, restricted stock or other equity-based awards in the ordinary course of business pursuant to the Company's employee benefit plans that are described in, the Pricing Prospectus and the Prospectus) or long-term debt of the Company or any of its subsidiaries or any change or effect, or any development involving a prospective change or effect, in or affecting (x) the business, properties, general affairs, management, financial position, stockholders' equity or results of operations of the Company and its subsidiaries, taken as a whole, except as set forth or contemplated in the Pricing Prospectus and the Prospectus, or (y) the ability of the Company to perform its obligations under this Agreement, including the issuance and sale of the Shares, or to consummate the transactions contemplated in the Pricing Prospectus and the Prospectus, the effect of which, in any such case described in clause (i) or (ii), is in your judgment so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Pricing Prospectus and the Prospectus;

(g) On or after the Applicable Time (i) no downgrading shall have occurred in the rating accorded the Company's debt securities by any "nationally recognized statistical rating organization," as that term is defined by the Commission for purposes of Rule 436(g)(2) under the Securities Act, and (ii) no such organization shall have publicly announced that it has under surveillance or review, with possible negative implications, its rating of any of the Company's debt securities;

(h) On or after the Applicable Time there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on Nasdaq; (ii) a suspension or material limitation in trading in the Company's securities on Nasdaq; (iii) a general moratorium on commercial banking activities declared by either Federal or New York State authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States; (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war or (v) the occurrence of any other calamity or crisis or any change in financial, political or economic conditions in the United States or elsewhere, if the effect of any such event specified in clause (iv) or (v) in your judgment makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Pricing Prospectus and the Prospectus;

(i) The Shares to be sold at such Time of Delivery shall have been duly listed for quotation on Nasdaq;

(j) FINRA shall have raised no objections to the fairness and reasonableness of the underwriting terms and arrangements;

(k) The Company shall have obtained and delivered to the Underwriters executed copies of an agreement from the persons listed on Schedule III hereto, substantially to the effect set forth in Section 5(e)(1) hereof in form and substance satisfactory to you;

(l) The Company shall have complied with the provisions of Section 5(c) hereof with respect to the furnishing of prospectuses on the New York Business Day next succeeding the date of this Agreement; and

(m) The Company shall have furnished or caused to be furnished to you at such Time of Delivery certificates of officers of the Company satisfactory to you as to the accuracy of the representations and warranties of the Company herein at and as of such Time of Delivery, as to the performance by the Company of all of its obligations hereunder to be performed at or prior to such Time of Delivery, as to the matters set forth in subsections (a) and (e) of this Section 8 and as to such other matters as you may reasonably request.

9. (a) The Company will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, any Issuer Free Writing Prospectus, any "roadshow" as defined in Rule 433(h) under the Securities Act (a "roadshow"), any "issuer information" filed or required to be filed pursuant to Rule 433(d) under the Securities Act or any Written Testing-the-Waters Communication, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and will reimburse each Underwriter for reasonable legal or other expenses incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus or any Written Testing-the-Waters Communication, in reliance upon and in conformity with the Underwriter Information (as defined below).

The Company also agrees to indemnify and hold harmless, BofA Securities, Inc. and each person, if any, who controls BofA Securities, Inc. within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all losses, claims, damages and liabilities incurred as a result of BofA Securities, Inc.'s participation as a "qualified independent underwriter" within the meaning of FINRA Rule 5121 in connection with the offering of the Shares.

(b) Each Underwriter, severally and not jointly, will indemnify and hold harmless the Company against any losses, claims, damages or liabilities to which the Company may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, or any roadshow or any Written Testing-the-Waters Communication, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in the Registration Statement, any Preliminary Prospectus, the Pricing Prospectus or the Prospectus, or any amendment or supplement thereto, or any Issuer Free Writing Prospectus, or any roadshow or any Written Testing-the-Waters Communication, in reliance upon and in conformity with the Underwriter Information; and will reimburse the Company for any legal or other expenses reasonably incurred by the Company in connection with investigating or defending any such action or claim as such expenses are incurred. As used in this Agreement with respect to an Underwriter and an applicable document, "Underwriter Information" shall mean the written information furnished to the Company by such Underwriter through the Representatives expressly for use therein; it being understood and agreed upon that the only such information furnished by any Underwriter consists of the following information in the Prospectus furnished on behalf of each Underwriter: the concession and reallowance figures appearing in the [●] paragraph under the caption "Underwriting," and the information contained in the [●] paragraph under the caption "Underwriting."

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; provided that the failure to notify the indemnifying party shall not relieve it from any liability that it may have under the preceding paragraphs of this Section 9 except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided further that the failure to notify the indemnifying party shall not relieve it from any liability that it may have to an indemnified party otherwise than under the preceding paragraphs of this Section 9. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(d) If the indemnification provided for in this Section 9 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Underwriters or BofA Securities, Inc. in its capacity as “qualified independent underwriter,” as the case may be, on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Underwriters or BofA Securities, Inc. in its capacity as “qualified independent underwriter,” as the case may be, on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters or BofA Securities, Inc. in its capacity as “qualified independent underwriter,” as the case may be, on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Underwriters or BofA Securities, Inc. in its capacity as “qualified independent underwriter,” as the case may be, on the other and the parties’ relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriters agree that it would not be just and equitable if contribution pursuant to this subsection (d) were determined by *pro rata* allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (d), no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Company under this Section 9 shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each employee, officer and director of each Underwriter and each person, if any, who controls any Underwriter within the meaning of the Securities Act and each broker-dealer or other affiliate of any Underwriter; and the obligations of the Underwriters under this Section 9 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company (including any person who, with his or her consent, is named in the Registration Statement as about to become a director of the Company) and to each person, if any, who controls the Company within the meaning of the Securities Act.

10. (a) The Company will indemnify and hold harmless the Directed Share Underwriter against any losses, claims, damages and liabilities to which the Directed Share Underwriter may become subject, under the Securities Act or otherwise, insofar as such losses, claims damages or liabilities (or actions in respect thereof) (i) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any material prepared by or with the consent of the Company for distribution to Participants in connection with the Directed Share Program or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, (ii) arise out of or are based upon the failure of any Participant to pay for and accept delivery of Directed Shares that the Participant agreed to purchase, or (iii) are related to, arise out of or are in connection with the Directed Share Program, and will reimburse the Directed Share Underwriter for any legal or other expenses reasonably incurred by the Directed Share Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred; provided, however, that with respect to clauses (ii) and (iii) above, the Company shall not be liable in any such case to the extent that any such loss, claim, damage or liability is finally judicially determined to have resulted from the bad faith or gross negligence of the Directed Share Underwriter.

(b) Promptly after receipt by the Directed Share Underwriter of notice of the commencement of any action, the Directed Share Underwriter shall, if a claim in respect thereof is to be made against the Company, notify the Company in writing of the commencement thereof; provided that the failure to notify the Company shall not relieve the Company from any liability that it may have under the preceding paragraph of this Section 10 except to the extent that it has been materially prejudiced (through the forfeiture of substantive rights or defenses) by such failure; and provided further that the failure to notify the Company shall not relieve it from any liability that it may have to the Directed Share Underwriter otherwise than under the preceding paragraph of this Section 10. In case any such action shall be brought against the Directed Share Underwriter and it shall notify the Company of the commencement thereof, the Company shall be entitled to participate therein and, to the extent that it shall wish, to assume the defense thereof, with counsel satisfactory to the Directed Share Underwriter (who shall not, except with the consent of the Directed Share Underwriter, be counsel to the Company), and, after notice from the Company to the Directed Share Underwriter of its election so to assume the defense thereof, the Company shall not be liable to the Directed Share Underwriter under this subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by the Directed Share Underwriter, in connection with the defense thereof other than reasonable costs of investigation. The Company shall not, without the written consent of the Directed Share Underwriter, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the Directed Share Underwriter is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the Directed Share Underwriter from all liability arising out of such action or claim and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of the Directed Share Underwriter.

(c) If the indemnification provided for in this Section 10 is unavailable to or insufficient to hold harmless the Directed Share Underwriter under subsection (a) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then the Company shall contribute to the amount paid or payable by the Directed Share Underwriter as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Directed Share Underwriter on the other from the offering of the Directed Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then the Company shall contribute to such amount paid or payable by the Directed Share Underwriter in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company on the one hand and the Directed Share Underwriter on the other in connection with any statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Directed Share Underwriter on the other shall be deemed to be in the same proportion as the total net proceeds from the offering of the Directed Shares (before deducting expenses) received by the Company bear to the total underwriting discounts and commissions received by the Directed Share Underwriter for the Directed Shares. If the loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement of a material fact or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company on the one hand or the Directed Share Underwriter on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Directed Share Underwriter agree that it would not be just and equitable if contribution pursuant to this subsection (c) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (c). The amount paid or payable by the Directed Share Underwriter as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (c) shall be deemed to include any legal or other expenses reasonably incurred by the Directed Share Underwriter in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (c), the Directed Share Underwriter shall not be required to contribute any amount in excess of the amount by which the total price at which the Directed Shares sold by it and distributed to the Participants exceeds the amount of any damages which the Directed Share Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(d) The obligations of the Company under this Section 10 shall be in addition to any liability which the Company may otherwise have and shall extend, upon the same terms and conditions, to each employee, officer and director of the Directed Share Underwriter and each person, if any, who controls the Directed Share Underwriter within the meaning of the Securities Act and each broker-dealer or other affiliate of the Directed Share Underwriter.

11. (a) If any Underwriter shall default in its obligation to purchase the Shares which it has agreed to purchase hereunder at a Time of Delivery, you may in your discretion arrange for you or another party or other parties to purchase such Shares on the terms contained herein. If within 36 hours after such default by any Underwriter you do not arrange for the purchase of such Shares, then the Company shall be entitled to a further period of 36 hours within which to procure another party or other parties satisfactory to you to purchase such Shares on such terms. In the event that, within the respective prescribed periods, you notify the Company that you have so arranged for the purchase of such Shares, or the Company notifies you that it has so arranged for the purchase of such Shares, you or the Company shall have the right to postpone such Time of Delivery for a period of not more than seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to file promptly any amendments or supplements to the Registration Statement or the Prospectus which in your opinion may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section 11 with like effect as if such person had originally been a party to this Agreement with respect to such Shares.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased does not exceed one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, then the Company shall have the right to require each non-defaulting

Underwriter to purchase the number of shares which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the number of Shares which such Underwriter agreed to purchase hereunder) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased exceeds one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, or if the Company shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Shares of a defaulting Underwriter or Underwriters, then this Agreement (or, with respect to the Second Time of Delivery, the obligations of the Underwriters to purchase and of the Company to sell the Optional Shares) shall thereupon terminate, without liability on the part of any non-defaulting Underwriter or the Company, except for the expenses to be borne by the Company and the Underwriters as provided in Section 7 hereof and the indemnity and contribution agreements in Sections 9 and 10 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

12. The respective indemnities, agreements, representations, warranties and other statements of the Company and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company, or any officer or director or controlling person of the Company, and shall survive delivery of and payment for the Shares.

13. If this Agreement shall be terminated pursuant to Section 11 hereof, the Company shall not then be under any liability to any Underwriter except as provided in Sections 7 and 9 hereof; but, if for any other reason, any Shares are not delivered by or on behalf of the Company as provided herein or the Underwriters decline to purchase the Shares for any reason permitted under this Agreement (other than pursuant to the occurrence of any of the events set forth in Section 8(g)(i), (iii), (iv) or (v)), the Company will reimburse the Underwriters through you for all out-of-pocket expenses approved in writing by you, including reasonable and documented fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Shares not so delivered, but the Company shall then be under no further liability to any Underwriter except as provided in Sections 7 and 9 hereof.

14. In all dealings hereunder, the Representatives shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by you jointly or by Goldman Sachs & Co. LLC on behalf of you as the Representatives.

All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to Goldman Sachs & Co. LLC at 200 West Street, New York, New York 10282-2198, Attention: Registration Department or BofA Securities, Inc. at One Bryant Park, New York New York 10036, Attention: Syndicate Department, with a copy to: Attention: ECM Legal;

and if to the Company shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: Secretary; provided, however, that any notice to an Underwriter pursuant to Section 9(c) hereof shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its Underwriters' Questionnaire, or telex constituting such Questionnaire, which address will be supplied to the Company by you upon request; provided, however, that notices under subsection 5(e) shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to Goldman Sachs & Co. LLC, 200 West Street, New York, New York 10282-2198, Attention: Control Room or BofA Securities, Inc. at One Bryant Park, New York New York 10036, Attention: Syndicate Department, with a copy to: Attention: ECM Legal. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the Underwriters are required to obtain, verify and record information that identifies their respective clients, including the Company, which information may include the name and address of their respective clients, as well as other information that will allow the Underwriters to properly identify their respective clients.

15. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company and, to the extent provided in Sections 9 and 12 hereof, the officers and directors of the Company and each person who controls the Company or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

16. Time shall be of the essence of this Agreement. As used herein, the term "business day" shall mean any day when the Commission's office in Washington, D.C. is open for business.

17. The Company acknowledges and agrees that (i) the purchase and sale of the Shares pursuant to this Agreement is an arm's-length commercial transaction between the Company, on the one hand, and the several Underwriters, on the other, and does not constitute a recommendation, investment advice or solicitation of any action by the Underwriters, (ii) in connection therewith and with the process leading to such transaction each Underwriter is acting solely as a principal and not the agent or fiduciary of the Company, (iii) no Underwriter has assumed an advisory or fiduciary responsibility in favor of the Company with respect to the offering contemplated hereby or the process leading thereto (irrespective of whether such Underwriter has advised or is currently advising the Company on other matters) or any other obligation to the Company except the obligations expressly set forth in this Agreement; (iv) the Company has consulted its own legal and financial advisors to the extent it deemed appropriate; and (v) none of the activities of the Underwriters in connection with the transactions contemplated herein constitutes a recommendation, investment advice or solicitation of any action by the Underwriters with respect to any entity or natural person. The Company agrees that it will not claim that the Underwriters, or any of them, has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Company, in connection with such transaction or the process leading thereto.

18. This Agreement supersedes all prior agreements and understandings (whether written or oral) between the Company and the Underwriters, or any of them, with respect to the subject matter hereof.

19. **This Agreement and any transaction contemplated by this Agreement and any claim, controversy or dispute arising under or related thereto shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflict of laws that would result in the application of any other law than the laws of the State of New York. The Company agrees that any suit or proceeding arising in respect of this Agreement or any transaction contemplated by this Agreement will be tried exclusively in the U.S. District Court for the Southern District of New York or, if that court does not have subject matter jurisdiction, in any state court located in The City and County of New York and the Company agrees to submit to the jurisdiction of, and to venue in, such courts.**

20. The Company and each of the Underwriters hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

21. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including any electronic signature covered by the U.S. federal ESIGN Act of 2000, Uniform Electronic Transactions Act, the Electronic Signatures and Records Act or other applicable law, *e.g.*, www.docusign.com) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

22. Notwithstanding anything herein to the contrary, the Company is authorized to disclose to any persons the U.S. federal and state income tax treatment and tax structure of the potential transaction and all materials of any kind (including tax opinions and other tax analyses) provided to the Company relating to that treatment and structure, without the Underwriters imposing any limitation of any kind. However, any information relating to the tax treatment and tax structure shall remain confidential (and the foregoing sentence shall not apply) to the extent necessary to enable any person to comply with securities laws. For this purpose, "tax structure" is limited to any facts that may be relevant to that treatment.

23. Recognition of the U.S. Special Resolution Regimes.

(a) In the event that any Underwriter that is a Covered Entity becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer from such Underwriter of this Agreement, and any interest and obligation in or under this Agreement, will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Agreement, and any such interest and obligation, were governed by the laws of the United States or a state of the United States.

(b) In the event that any Underwriter that is a Covered Entity or a BHC Act Affiliate of such Underwriter becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under this Agreement that may be exercised against such Underwriter are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Agreement were governed by the laws of the United States or a state of the United States.

(c) As used in this Section 23:

"BHC Act Affiliate" has the meaning assigned to the term "affiliate" in, and shall be interpreted in accordance with, 12 U.S.C. § 1841(k).

"Covered Entity" means any of the following:

(i) a "covered entity" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b);

(ii) a "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or

(iii) a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

"Default Right" has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

"U.S. Special Resolution Regime" means each of (i) the Federal Deposit Insurance Act and the regulations promulgated thereunder and (ii) Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

If the foregoing is in accordance with your understanding, please sign and return to us one for the Company and the Representatives plus one for each counsel counterparts hereof, and upon the acceptance hereof by you, on behalf of each of the Underwriters, this letter and such acceptance hereof shall constitute a binding agreement between each of the Underwriters and the Company. It is understood that your acceptance of this letter on behalf of each of the Underwriters is pursuant to the authority set forth in a form of Agreement among Underwriters, the form of which shall be submitted to the Company for examination upon request, but without warranty on your part as to the authority of the signers thereof.

Very truly yours,

Petco Health and Wellness Company, Inc.

By: ______________________________
Name:
Title:

Accepted as of the date hereof:

Goldman Sachs & Co. LLC

By: ______________________________
Name:
Title:

On behalf of each of the Underwriters

BofA Securities, Inc.

By: ______________________________
Name:
Title:

On behalf of each of the Underwriters

SCHEDULE I

Underwriter	Total Number of Firm Shares to be Purchased	Number of Optional Shares to be Purchased if Maximum Option Exercised
Goldman Sachs & Co. LLC		
BofA Securities, Inc.		
Citigroup Global Markets Inc.		
Evercore Group L.L.C.		
Credit Suisse Securities (USA) LLC		
UBS Securities LLC		
Wells Fargo Securities, LLC		
Robert W. Baird & Co. Incorporated		
Guggenheim Securities LLC		
AmeriVet Securities, Inc.		
C.L. King & Associates, Inc.		
R. Seelaus & Co., LLC		
Samuel A. Ramirez & Company, Inc.		
Siebert Williams Shank & Co., LLC		
Total		

SCHEDULE II

(a) Issuer Free Writing Prospectuses not included in the Pricing Disclosure Package:

[Electronic roadshow dated [●]]

(b) Information other than the Pricing Prospectus that comprise the Pricing Disclosure Package:

The initial public offering price per share for the Shares is: $[●]
The number of Shares purchased by the Underwriters is: [●]

(c) Written Testing-the-Waters Communications:
[●]

SCHEDULE III

[Lock-up Parties]

ANNEX I

[Form of Press Release]

[Company]
[Date]

("[Company]") announced today that Goldman Sachs & Co. LLC and BofA Securities, Inc., the lead book-running managers in the Company's recent public sale of shares of common stock, is [waiving] [releasing] a lock-up restriction with respect to shares of the Company's common stock held by [certain officers or directors] [an officer or director] of the Company. The [waiver] [release] will take effect on , 20 , and the shares may be sold on or after such date.

This press release is not an offer for sale of the securities in the United States or in any other jurisdiction where such offer is prohibited, and such securities may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended.

ANNEX II

[Form of Company Counsel Opinion]

GIBSON DUNN

Gibson, Dunn & Crutcher LLP

200 Park Avenue
New York, NY 10166-0193
Tel 212.351.4000
www.gibsondunn.com

Client: 88502-00013

January 6, 2020

PET Acquisition LLC
10850 Via Frontera
San Diego, California 92127

Re: *PET Acquisition LLC*
Registration Statement on Form S-1 (File No. 333-251107)

Ladies and Gentlemen:

We have examined the Registration Statement on Form S-1, File No. 333-251107, as amended (the "Registration Statement"), of PET Acquisition LLC, a Delaware limited liability company, to be converted into Petco Health and Wellness Company, Inc., a Delaware corporation (the "Company"), filed with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Act of 1933, as amended (the "Securities Act"), in connection with the offering by the Company of up to 55,200,000 shares of the Company's Class A common stock, par value $0.001 per share (the "Shares").

In arriving at the opinion expressed below, we have examined the Registration Statement, a form of the certificate of conversion of the Company (the "Certificate of Conversion") and a form of the certificate of incorporation of the Company (the "Certificate of Incorporation"), which has been filed with the Commission as an exhibit to the Registration Statement. In addition, we have examined originals, or copies certified or otherwise identified to our satisfaction as being true and complete copies of the originals, of specimen Common Stock certificates and such other documents, corporate records, certificates of officers of the Company and of public officials and other instruments as we have deemed necessary or advisable to enable us to render the opinions set forth below. In our examination, we have assumed without independent investigation the genuineness of all signatures, the legal capacity and competency of all natural persons, the authenticity of all documents submitted to us as originals and the conformity to original documents of all documents submitted to us as copies.

Based upon the foregoing, and subject to the assumptions, exceptions, qualifications and limitations set forth herein, we are of the opinion that, when the Certificate of Conversion and the Certificate of Incorporation have been duly filed with the Secretary of State for the State of Delaware, the Shares, when issued against payment therefor as set forth in the Registration Statement, will be validly issued, fully paid and non-assessable.

We consent to the filing of this opinion as an exhibit to the Registration Statement, and we further consent to the use of our name under the caption "Legal Matters" in the Registration Statement and the prospectus that forms a part thereof. In giving these consents, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the Rules and Regulations of the Commission.

Very truly yours,

/s/ Gibson, Dunn & Crutcher LLP

Exhibit 21.1

Petco Health and Wellness Company, Inc.

List of Significant Subsidiaries

Legal Name	Jurisdiction
Petco Holdings, Inc. LLC	Delaware
Petco Animal Supplies, Inc.	Delaware
Petco Animal Supplies Stores, Inc.	Delaware

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated December 3, 2020, in Amendment No. 2 to the Registration Statement (Form S-1 No. 333-251107) and related Prospectus of PET Acquisition LLC for the registration of 48,000,000 shares of its common stock.

/s/ Ernst & Young LLP

San Diego, California
January 4, 2021

EXHIBIT 99.1

Consent of Director Nominee of Petco Health and Wellness Company, Inc.

I hereby consent to being identified as a director nominee in the Registration Statement on Form S-1 of PET Acquisition LLC, to be converted as described in the Registration Statement into Petco Health and Wellness Company, Inc., a Delaware corporation, and all pre and post-effective amendments and supplements thereto, including the prospectus contained therein, and to all references to me in connection therewith and to the filing of this consent as an exhibit to such Registration Statement and any amendments or supplements thereto.

/s/ Sabrina Simmons

Name: Sabrina Simmons

Date: January 4, 2021

EXHIBIT 99.2

Consent of Director Nominee of Petco Health and Wellness Company, Inc.

I hereby consent to being identified as a director nominee in the Registration Statement on Form S-1 of PET Acquisition LLC, to be converted as described in the Registration Statement into Petco Health and Wellness Company, Inc., a Delaware corporation, and all pre- and post-effective amendments and supplements thereto, including the prospectus contained therein, and to all references to me in connection therewith and to the filing of this consent as an exhibit to such Registration Statement and any amendments or supplements thereto.

/s/ Mary Sullivan

Name: Mary Sullivan

Date: January 4, 2021