



# Baird Global Consumer, Technology & Services Conference

June 10, 2021



# Safe Harbor and Non-GAAP Measures

This Presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 as contained in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact, including statements regarding our environmental and other sustainability plans and goals. Although the company believes that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct. There can be no assurance that any forward-looking results will occur or be realized, and nothing contained in this Presentation is, or should be relied upon as, a promise or representation or warranty as to any future matter, including any matter in respect of the operations or business or financial condition of Petco. Such forward-looking statements can be identified by the use of forward-looking terms such as “believes,” “expects,” “may,” “intends,” “will,” “shall,” “should,” “anticipates,” “opportunity,” “illustrative”, or the negative thereof or other variations thereon or comparable terminology. All forward-looking statements are based on assumptions or judgments about future events that may or may not be correct or necessarily take place and that are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Petco. Forward-looking statements are subject to a number of risks, uncertainties and other factors that could cause actual results to differ materially from the potential results discussed in the forward-looking statements, including, without limitation, those identified in this Presentation, the risk factors that the company identifies in its Securities and Exchange Commission filings, as well as the following: (i) increased competition (including from multi-channel retailers and e-Commerce providers); (ii) reduced consumer demand for our products and/or services; (iii) our reliance on key vendors; (iv) our ability to attract and retain qualified employees; (v) risks arising from statutory, regulatory and/or legal developments; (vi) macroeconomic pressures in the markets in which we operate; (vii) failure to effectively manage our costs; (viii) our reliance on our information technology systems; (ix) our ability to prevent or effectively respond to a privacy or security breach; (x) our ability to effectively manage strategic ventures, alliances or acquisitions; (xi) economic or regulatory developments that might affect our ability to provide attractive promotional financing; (xii) interruptions and other supply chain issues; (xiii) catastrophic events, health crises, and pandemics, including the potential effects that the ongoing COVID-19 pandemic and/or corresponding macroeconomic uncertainty could have on our financial position, results of operations and cash flows; (xiv) our ability to maintain positive brand perception and recognition; (xv) product safety and quality concerns; (xvi) changes to labor or employment laws or regulations; (xvii) our ability to effectively manage our real estate portfolio; (xviii) constraints in the capital markets or our vendor credit terms; and (xix) changes in our credit ratings. The occurrence of any such factors, events, or circumstances could significantly alter the results set forth in these statements.

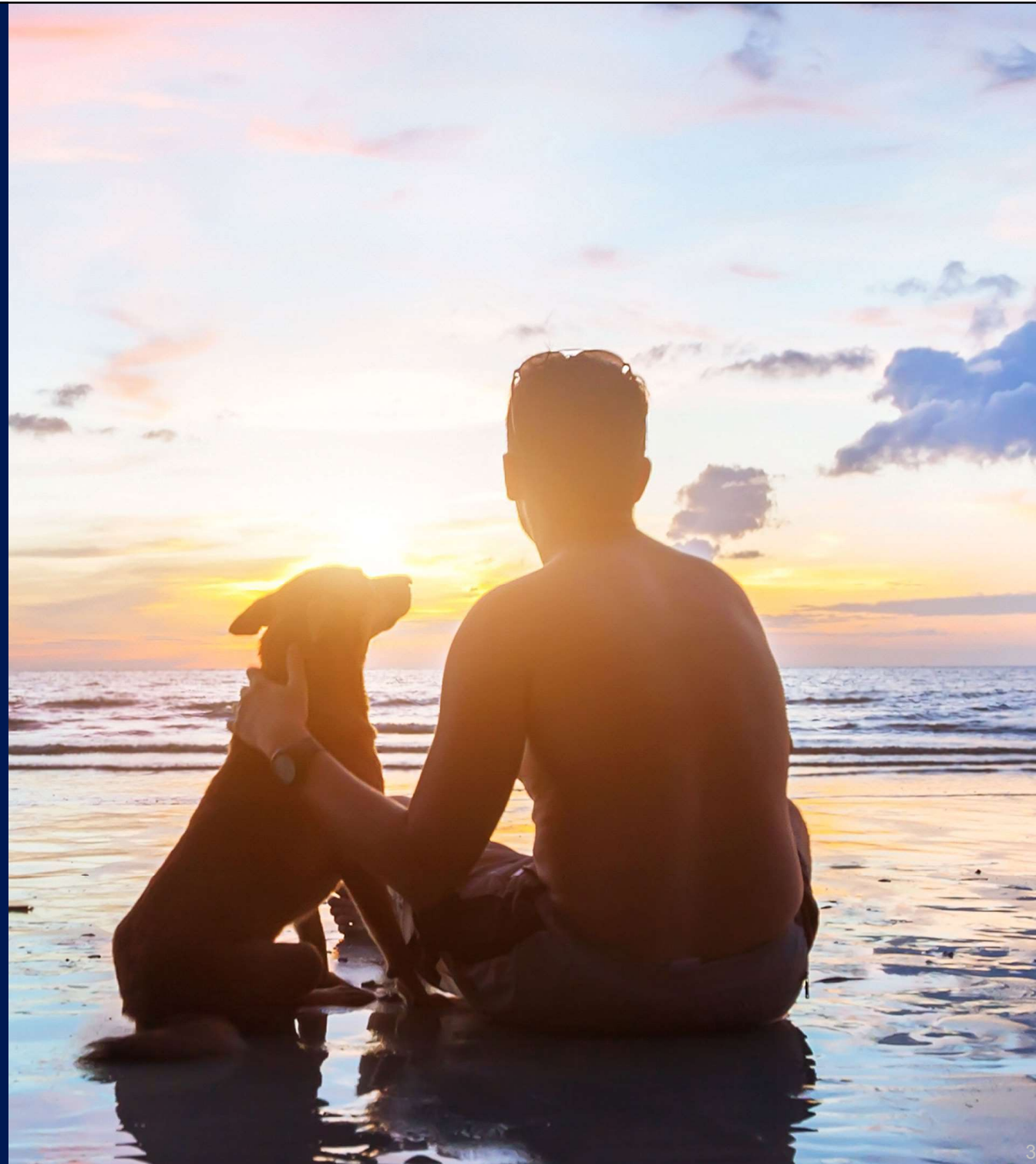
Petco cautions that the foregoing list of important factors is not complete, and any forward-looking statements speak only as of the date they are made. Petco undertakes no duty to update publicly any forward-looking statement that it may make, whether as a result of new information, future events or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

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

**We Are a Purpose Driven Company**

**We improve lives...**  
Pet lives, Pet Parent lives,  
and the lives of our  
partners working at

**petco**  
THE HEALTH +  
WELLNESS CO.



# Strong Track Record of Delivering Growth and Customer Acquisition Driven Through Fully-Integrated Pet Care Solutions

>23.6M

Active Customers



Seamless Multi-Channel Experience



~1.5K

Pet Care & Micro Distribution Centers

Passionate, Trained Partners



~27K<sup>1</sup>

\$5.2B Q1'21 TTM Revenues



## Total Company Comparable Sales Growth<sup>2</sup>



# Petco's Fully-Integrated and Comprehensive Pet Care Ecosystem

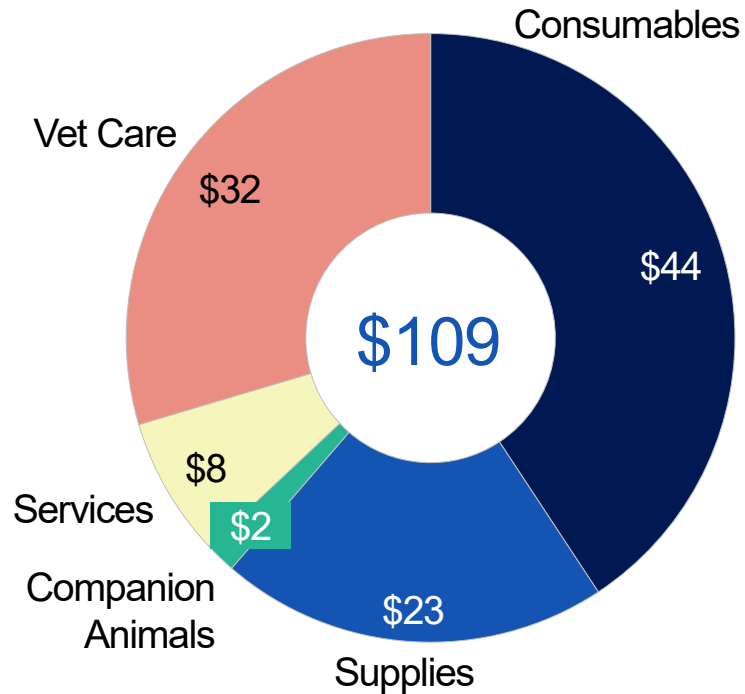


BOPUS: Buy Online, Pick-up in Store.  
 (1) As of May 2021 (2) Lippincott Survey (n=2.7k)

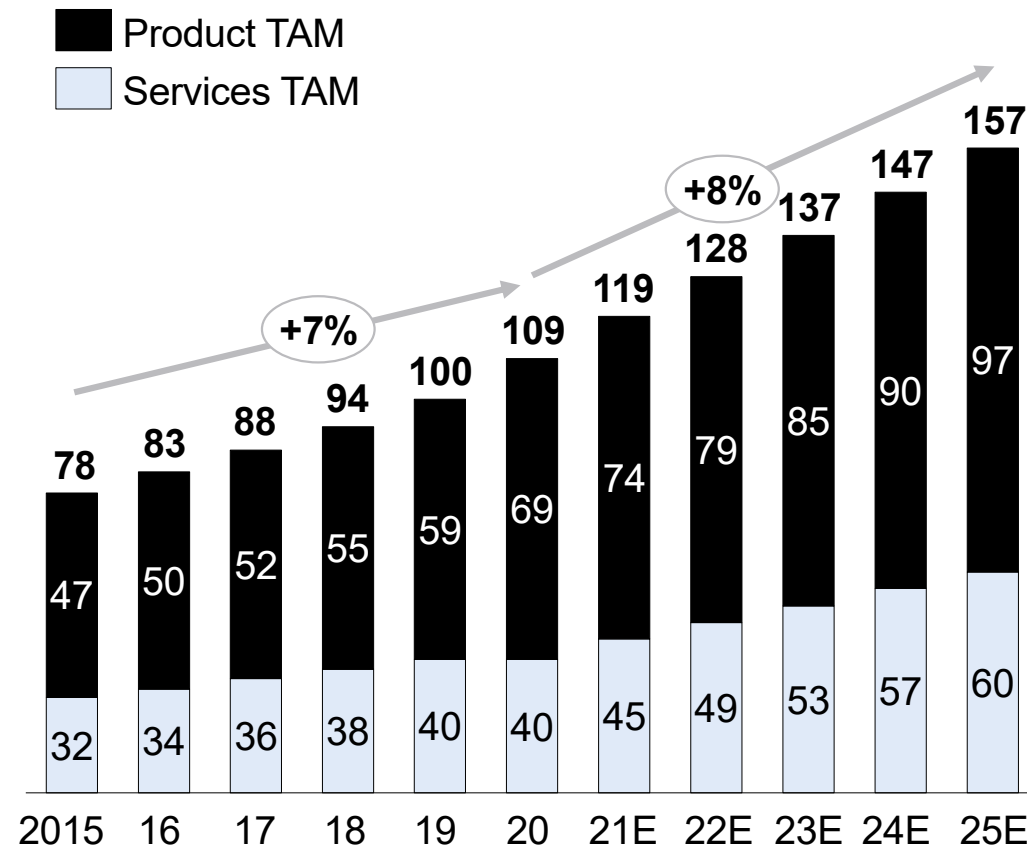
# Pet Market That is Large And Growing with 8% CAGR

Pet Care TAM \$B; US Market

2020 TAM



US Pet Total Addressable Market



Growth Drivers

- 6% Growth in New Pet Households in 2020
- 1/3<sup>rd</sup> of existing pet households added pets
- Strong adoptions continued into 2021
- Increase in spend per pet from humanization
- Growth in Millennial and Gen Z pet parents who spend more and more frequently

# Strong top-line momentum enabling enhanced profitability

## Q1'21 Results

	Results	B/(W) Q1'20
Revenue (\$B)	\$1.4B	+27%
Gross Margin %	42.2%	+32bps
Adj. EBITDA <sup>1</sup> (\$M)	\$126M	+45%
Adj. EPS <sup>1</sup>	\$0.17	+\$0.24
Net Debt <sup>1</sup> / TTM Adj. EBITDA <sup>1</sup>	2.9x	+62%

## Q1 2021 Key Highlights

- ▶ Strong momentum with strong execution and tailwinds from an attractive industry
- ▶ 27% revenue growth vs LY reflecting integrated ecosystem driven strategic transformation
- ▶ Gross margin expanded across key areas, offsetting mix pressure
- ▶ Sales growth, gross margin expansion and expense leverage generated profit growth and cash flow generation
- ▶ Net leverage ratio decreased by almost two thirds

# Positioned as a Premium, Integrated Leader in the High Growth Pet Category

1 8% projected category go-forward CAGR (~3x CPG historical average<sup>1</sup>) with high economic resilience

2 Fully-integrated pet ecosystem of premium:

- products
- services
- veterinary care
- membership

Merchandise differentiated from competitors in Owned and Exclusive

1,453 multi-dimensional pet care centers in the U.S. acting as service, product experience, and fulfillment centers

Rapidly growing scale digital platform with structural fulfillment advantages driving 129% revenue growth on a two-year stack

Mix shift to services with 63% Q1'21 YoY revenue growth with traction in training and grooming, and one of fastest vet buildouts in industry

3 23.6 million active customers with over 3M added in last three quarters focused on recurring revenue (+60% Q1'21 YoY revenue increase) and multichannel customers (+ Double digit)

- 10 quarters of Comp Growth Accelerating
- Q1 top-line growth translated to stronger bottom-line growth
- Category strength plus strategic traction provided confidence to raise FY'21 guidance in Q1'21



# NON-GAAP MEASURES



# Non-GAAP Measures

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

**Adjusted EBITDA:** Adjusted EBITDA is considered a non-GAAP financial measure under the SEC's rules because it excludes certain charges included in net income (loss) calculated in accordance with GAAP. Management believes that Adjusted EBITDA is a meaningful measure to share with investors because it best allows comparison of the performance of the current period performance with that of the comparable period. In addition, Adjusted EBITDA affords investors a view of what management considers Petco's operating performance to be and the ability to make a more informed assessment of such operating performance as compared with that of the prior year. Please see the company's 10-K filed on April 5, 2021 for additional information on the reconciliation of Net Income (Loss) Attributable to Class A and B-1 Common Stockholders to Adjusted EBITDA. The tables on pages 11 and 12 of this Presentation reflect the calculation of Adjusted EBITDA for the thirteen weeks and trailing twelve months ended May 1, 2021 compared to the prior year quarter and twelve-month period ended May 2, 2020, respectively.

**Adjusted Net Income and Adjusted EPS:** Adjusted Net Income and Adjusted diluted earnings per share attributable to Petco (Adjusted Net Income and Adjusted EPS respectively) are considered non-GAAP financial measures under the SEC's rules because they exclude certain amounts included in the net loss attributable to common stockholders and diluted earnings per share attributable to Petco calculated in accordance with GAAP (net income (loss) and EPS respectively), the most directly comparable financial measures calculated in accordance with GAAP. Management believes that Adjusted Net Income and Adjusted EPS are meaningful measures to share with investors because they best allow comparison of the performance with that of the comparable period. In addition, Adjusted Net Income and Adjusted EPS afford investors a view of what management considers Petco's earnings performance to be and the ability to make a more informed assessment of such earnings performance with that of the prior year. The tables on page 13 of this Presentation reflect the calculation of Adjusted Net Income and Adjusted EPS for the thirteen weeks ended May 1, 2021 compared to the prior year quarter ended May 2, 2020.

**Free Cash Flow:** Free cash flow is a non-GAAP financial measure that is calculated as net cash generated by operations less cash paid for fixed assets. Management believes that free cash flow, which measures the ability to generate additional cash from business operations, is an important financial measure for use in evaluating the company's financial performance. Although other companies report their free cash flow, numerous methods exist for calculating a company's free cash flow. As a result, the method used by Petco's management to calculate free cash flow may differ from the methods used by other companies to calculate their free cash flow. The following table sets forth a reconciliation of free cash flow, to net cash provided by operating activities, which Petco believes to be the GAAP financial measure most directly comparable to free cash flow. The table on page 14 of this Presentation reflects the calculation of free cash flow for the thirteen weeks ended May 1, 2021 compared to the prior year quarter ended May 2, 2020.

**Net Debt:** Net Debt is a non-GAAP financial measure that is calculated as the sum of current and non-current debt, less cash and cash equivalents. Management considers this adjustment useful because it reduces the volatility of total debt caused by fluctuations between cash paid against the company's revolving credit facility and cash held on hand in cash and cash equivalents. Although other companies report their Net Debt, numerous methods exist for calculating a company's net debt. As a result, the method used by Petco's management to calculate net debt may differ from the methods used by other companies to calculate their Net Debt. The table on page 19 of this Presentation sets forth a reconciliation of Net Debt, to total debt, which Petco believes to be the GAAP financial measure most directly comparable to Net Debt. The table on page 15 reflects the calculation of Net Debt as of the period ended May 1, 2021 compared to the prior year quarter ended May 2, 2020.

# Non-GAAP Measures: Adjusted EBITDA\*

(In Thousands)	13 Weeks Ended	
	May 1, 2021	May 2, 2020
<b>Reconciliation of Net Income (Loss) Attributable to Class A and B-1 Common Stockholders to Adjusted EBITDA</b>		
<b>Net income (loss) attributable to Class A and B-1 common stockholders</b>	<b>\$ 7,560</b>	<b>\$ (31,168)</b>
Add (deduct):		
Interest expense, net	20,508	60,624
Income tax expense (benefit)	2,679	(10,555)
Depreciation and amortization	41,607	43,567
Income from equity method investees	(2,425)	(332)
Loss on debt extinguishment and modification	20,838	—
Asset impairments and write offs	947	3,409
Equity-based compensation	11,604	2,305
Mexico joint venture EBITDA <sup>1</sup>	6,006	4,019
Store pre-opening expenses	4,029	1,908
Store closing expenses	1,103	1,027
Severance	818	3,084
Non-cash occupancy-related costs <sup>2</sup>	1,139	7,200
Non-recurring costs <sup>3</sup>	9,333	1,748
<b>Adjusted EBITDA</b>	<b>\$ 125,746</b>	<b>\$ 86,836</b>
Net sales	\$ 1,414,994	\$ 1,113,521
Net margin <sup>4</sup>	0.5%	(2.8%)
Adjusted EBITDA Margin	8.9%	7.8%

# Non-GAAP Measures: Trailing Twelve Month Adjusted EBITDA\*

(In Thousands)	Trailing Twelve Months	
	May 1, 2021	May 2, 2020
<b>Reconciliation of Net Income (Loss) Attributable to Class A and B-1 Common Stockholders to Adjusted EBITDA</b>		
<b>Net income (loss) attributable to Class A and B-1 common stockholders</b>	<b>\$ 12,245</b>	<b>\$ (89,560)</b>
Add (deduct):		
Interest expense, net	178,314	248,915
Income tax expense (benefit)	9,897	(33,699)
Depreciation and amortization	172,876	171,593
Income from equity method investees	(8,575)	(2,755)
Loss on debt extinguishment and modification	38,387	—
Asset impairments and write offs	13,144	10,523
Equity-based compensation	22,214	10,067
Mexico joint venture EBITDA <sup>1</sup>	21,061	15,199
Store pre-opening expenses	11,349	9,648
Store closing expenses	7,858	4,914
Severance	3,017	10,567
Non-cash occupancy-related costs <sup>2</sup>	13,179	30,911
Non-recurring costs <sup>3</sup>	28,292	8,328
<b>Adjusted EBITDA</b>	<b>\$ 523,258</b>	<b>\$ 413,651</b>
Net sales	\$ 5,221,675	\$ 4,450,878
Net margin <sup>4</sup>	0.2%	(2.0%)
Adjusted EBITDA Margin	10.0%	9.3%

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

(In Thousands, except per share amounts)

## Reconciliation of Diluted Income (Loss) per Share to Adjusted EPS

	13 Weeks Ended			
	May 1, 2021		May 2, 2020	
	Amount	Per share	Amount	Per share
<b>Net income (loss) attributable to common stockholders / diluted income (loss) per share</b>	<b>\$ 7,560</b>	<b>\$ 0.03</b>	<b>\$ (31,168)</b>	<b>\$ (0.15)</b>
Add (deduct):				
Income tax expense (benefit)	2,679	0.01	(10,555)	(0.05)
Loss on debt extinguishment and modification	20,838	0.08	—	—
Asset impairments and write offs	947	0.00	3,409	0.02
Equity-based compensation	11,604	0.04	2,305	0.01
Store pre-opening expenses	4,029	0.02	1,908	0.01
Store closing expenses	1,103	0.00	1,027	0.01
Severance	818	0.00	3,084	0.01
Non-cash occupancy-related costs <sup>2</sup>	1,139	0.01	7,200	0.03
Non-recurring costs <sup>3</sup>	9,333	0.04	1,748	0.01
<b>Adjusted pre-tax income (loss) / diluted earnings (loss) per share</b>	<b>\$ 60,050</b>	<b>\$ 0.23</b>	<b>\$ (21,042)</b>	<b>\$ (0.10)</b>
Income tax expense (benefit) at 26% normalized tax rate	15,613	0.06	(5,471)	(0.03)
<b>Adjusted Net Income (Loss) / Adjusted EPS</b>	<b>\$ 44,437</b>	<b>\$ 0.17</b>	<b>\$ (15,571)</b>	<b>\$ (0.07)</b>

# Non-GAAP Measures: Free Cash Flow

(In Thousands)

	13 Weeks Ended	
	May 1, 2021	May 2, 2020
Net cash provided by (used in) operating activities	\$ 115,002	\$ (32,289)
Cash paid for fixed assets	(47,351)	(27,895)
Free Cash Flow	\$ 67,651	\$ (60,184)

## Non-GAAP Measures: Net Debt

(In Thousands)	May 1, 2021	May 2, 2020
Total debt:		
Senior secured credit facilities, net, including current portion	\$ 1,666,509	\$ 2,647,461
Senior notes, net	—	866,952
Finance leases, including current portion	16,409	15,504
<b>Total debt</b>	<b>1,682,918</b>	<b>3,529,917</b>
Less: cash and cash equivalents	(174,034)	(341,506)
<b>Net Debt</b>	<b>\$ 1,508,884</b>	<b>\$ 3,188,411</b>
Trailing Twelve Month Adjusted EBITDA	\$ 523,258	\$ 413,651
Net Debt / Trailing Twelve Month Adjusted EBITDA ratio	2.9x	7.7x

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