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Earnings Supplement: Petco Fiscal 2023 Outlook and Guidance

Beginning in Fiscal 2023, Petco has made certain changes to how it defines Adjusted EBITDA, Adjusted Net Income, and Adjusted EPS, which are non-GAAP financial measures, that impact the comparability of the metrics to prior periods. Specifically, Petco will no longer include store pre-opening expenses, store closing expenses, non-cash occupancy costs, and certain other costs in its non-GAAP add-backs. Accordingly, Petco's 2023 Adjusted EBITDA and Adjusted EPS guidance reflects Petco's updated definition of Adjusted EBITDA and Adjusted EPS. Please see the Company's March 22, 2023 earnings release for a reconciliation of non-GAAP Adjusted EBITDA, Adjusted Net Income, and Adjusted EPS, to their most comparable GAAP measure, including a historical bridge between the Fiscal 2022 and updated Fiscal 2023 methodology for Q4 2022 and Full Year 2022 Adjusted EBITDA, Adjusted Net Income, and Adjusted EPS.

Furthermore, Fiscal 2023 will be a 53-week year for Petco, leading to an incremental week of operations relative to Fiscal 2022.

The below guidance, showing expected dollar ranges for Net Revenue, Adjusted EBITDA, Adjusted EPS, and Capital Expenditures, is based on the Fiscal 2023 methodology as discussed above, and also includes an incremental week of operations to reflect the 53rd week.

Metric*	2023 Guidance	2022 Reported
Net Revenue	\$6.150 billion to \$6.275 billion	\$6.036 billion
Adjusted EBITDA, updated Fiscal 2023 methodology	\$520 million to \$540 million	\$531 million
Adjusted EPS, updated Fiscal 2023 methodology	\$0.40 to \$0.48	\$0.61
Capital Expenditures	\$225 million to \$250 million	\$278 million

*Assumptions in the guidance include that economic conditions, currency rates and the tax and regulatory landscape remain generally consistent. Adjusted EPS guidance assumes approximately \$145 to \$155 million of interest expense, an estimated \$44 to \$54 million increase in interest expense, a 26 percent tax rate, and a 273 million weighted average diluted share count. The Company estimates that the increase in interest expense will impact Adjusted EPS by approximately \$0.12 to \$0.15 per share. Adjusted EBITDA and Adjusted EPS are non-GAAP financial measures and have not been reconciled to the most comparable GAAP outlook because it is not possible to do so without unreasonable efforts due to the uncertainty and potential variability of reconciling items, which are dependent on future events and often outside of management's control and which could be significant. Because such items cannot be reasonably predicted with the level of precision required, we are unable to provide outlook for the comparable GAAP measures. Forward-looking estimates of Adjusted EBITDA and Adjusted EPS are made in a manner consistent with the relevant definitions and assumptions noted herein and in our filings with the SEC.

Forward-Looking Statements:

This earnings supplement 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, future performance and underlying assumptions, and other statements that are not statements of historical fact, including statements regarding our fiscal year 2023 guidance. Such forward-looking statements can generally be identified by the use of forward-looking terms such as “believes,” “expects,” “may,” “intends,” “will,” “shall,” “should,” “anticipates,” “opportunity,” “illustrative”, or the negative thereof or other variations thereon or comparable terminology. Although Petco believes that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct or that any forward-looking results will occur or be realized. Nothing contained in this earnings supplement is, or should be relied upon as, a promise or representation or warranty as to any future matter, including any matter in respect of the operations or business or financial condition of Petco. All forward-looking statements are based on current expectations and assumptions about future events that may or may not be correct or necessarily take place and that are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Petco. Forward-looking statements are subject to a number of risks, uncertainties and other factors that could cause actual results or events to differ materially from the potential results or events discussed in the forward-looking statements, including, without limitation, those identified in this earnings supplement as well as the following: (i) increased competition (including from multi-channel retailers and e-Commerce providers); (ii) reduced consumer demand for our products and/or services; (iii) our reliance on key vendors; (iv) our ability to attract and retain qualified employees; (v) risks arising from statutory, regulatory and/or legal developments; (vi) macroeconomic pressures in the markets in which we operate, including inflation and prevailing interest rates; (vii) failure to effectively manage our costs; (viii) our reliance on our information technology systems; (ix) our ability to prevent or effectively respond to a privacy or security breach; (x) our ability to effectively manage or integrate strategic ventures, alliances or acquisitions and realize the anticipated benefits of such transactions; (xi) economic or regulatory developments that might affect our ability to provide attractive promotional financing; (xii) business interruptions and other supply chain issues; (xiii) catastrophic events, political tensions, conflicts and wars (such as the ongoing conflict in Ukraine), health crises, and pandemics; (xiv) our ability to maintain positive brand perception and recognition; (xv) product safety and quality concerns; (xvi) changes to labor or employment laws or regulations; (xvii) our ability to effectively manage our real estate portfolio; (xviii) constraints in the capital markets or our vendor credit terms; (xix) changes in our credit ratings; and (xx) the other risks, uncertainties and other factors identified under “Risk Factors” and elsewhere in Petco’s Securities and Exchange Commission filings. The occurrence of any such factors could significantly alter the results set forth in these statements.

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