

PETCO FIRST QUARTER 2023 EARNINGS CALL

May 24, 2023



SAFE HARBOR AND NON-GAAP MEASURES

This Presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 as contained in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact, including statements regarding our fiscal year 2023 guidance, our growth plans, execution on our transformation initiatives, and our goals and expectations with respect to sustainability and employee matters, risks and opportunities. Such forward-looking statements can generally be identified by the use of forward-looking terms such as “believes,” “expects,” “may,” “intends,” “will,” “shall,” “should,” “anticipates,” “opportunity,” “illustrative”, or the negative thereof or other variations thereon or comparable terminology. Although Petco believes that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct or that any forward-looking results will occur or be realized. Nothing contained in this Presentation is, or should be relied upon as, a promise or representation or warranty as to any future matter, including any matter in respect of the operations or business or financial condition of Petco. All forward-looking statements are based on current expectations and assumptions about future events that may or may not be correct or necessarily take place and that are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Petco. Forward-looking statements are subject to a number of risks, uncertainties and other factors that could cause actual results or events to differ materially from the potential results or events discussed in the forward-looking statements, including, without limitation, those identified in this Presentation as well as the following: (i) increased competition (including from multi-channel retailers and e-Commerce providers); (ii) reduced consumer demand for our products and/or services; (iii) our reliance on key vendors; (iv) our ability to attract and retain qualified employees; (v) risks arising from statutory, regulatory and/or legal developments; (vi) macroeconomic pressures in the markets in which we operate, including inflation and prevailing interest rates; (vii) failure to effectively manage our costs; (viii) our reliance on our information technology systems; (ix) our ability to prevent or effectively respond to a data privacy or security breach; (x) our ability to effectively manage or integrate strategic ventures, alliances or acquisitions and realize the anticipated benefits of such transactions; (xi) economic or regulatory developments that might affect our ability to provide attractive promotional financing; (xii) business interruptions and other supply chain issues; (xiii) catastrophic events, political tensions, conflicts and wars (such as the ongoing conflict in Ukraine), health crises, and pandemics; (xiv) our ability to maintain positive brand perception and recognition; (xv) product safety and quality concerns; (xvi) changes to labor or employment laws or regulations; (xvii) our ability to effectively manage our real estate portfolio; (xviii) constraints in the capital markets or our vendor credit terms; (xix) changes in our credit ratings; 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.

Included in this Presentation are certain financial measures that are not calculated in accordance with U.S. generally accepted accounting principles (“GAAP”) that are designed to supplement, and not substitute, Petco’s financial information presented in accordance with GAAP, including, but not limited to, Adjusted EBITDA, Trailing Twelve Month Adjusted EBITDA, Adjusted Net Income, Adjusted EPS, and Free Cash Flow. The non-GAAP measures as defined by Petco may not be comparable to similar non-GAAP measures presented by other companies. The presentation of such measures, which may include adjustments to exclude non-recurring items, should not be construed as an inference that Petco’s future results, cash flows, or leverage will be unaffected by other nonrecurring items. Refer to information about the non-GAAP measures contained in this Presentation.



First Quarter

KEY TAKEAWAYS

- ▶ Delivered solid business performance amid dynamic environment with 5% sales and 5% comp growth YoY
- ▶ 18th consecutive quarter of comp sales growth and 12th consecutive quarter of B&M growth
- ▶ Continued Consumables and Services strength supporting top line, with vet hospitals continuing to mature
- ▶ Over 100,000 subscribers added to Vital Care Premier; now generating >\$100M in annualized recurring revenue¹
- ▶ Ongoing focus on liquidity and balance sheet strength

(1) Please see the Recurring Revenue footnote at the end of this Presentation.

CONTINUED STRATEGIC ACTION ACROSS CORE INITIATIVES

SERVICES INTEGRATION

- Added a record 375 veterinarians to Petco ecosystem, up 60% YoY
- Number of pets seen by vets increased 20% YoY

OMNICHANNEL

- Digital sales up double-digits YoY
- Continued growth in repeat delivery, retail media network and digital pharmacy



Powering
long-term,
profitable
growth

DIFFERENTIATION

- Consumables growth of 11% YoY
- Ongoing strength in fresh frozen and WholeHearted, both up double digits

LOYALTY & MEMBERSHIP

- Added over 100,000 customers to Vital Care Premier, to 580,000
- >\$100M ann. recurring revenues from Vital Care Premier; >\$1B total ann. recurring revenue¹

(1) Please see the Recurring Revenue footnote at the end of this Presentation.

FULLY INTEGRATED SERVICES OFFERING WITH VETS SCALING

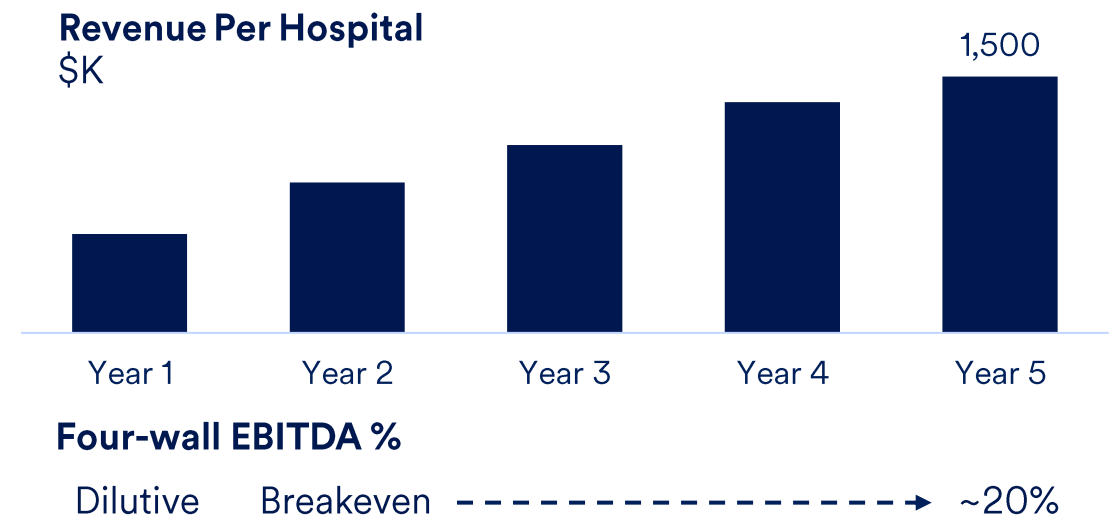
Services offering presents strong economics and attractive center store lift



Vet hospital buildout driving long-term growth

- 257 fully owned vet hospitals at end of Q1'23; commitment of 50-55 new hospitals in FY23
- Maturing Thrive vet cohorts plus newer cohort of owned vets support acceleration of services accretion

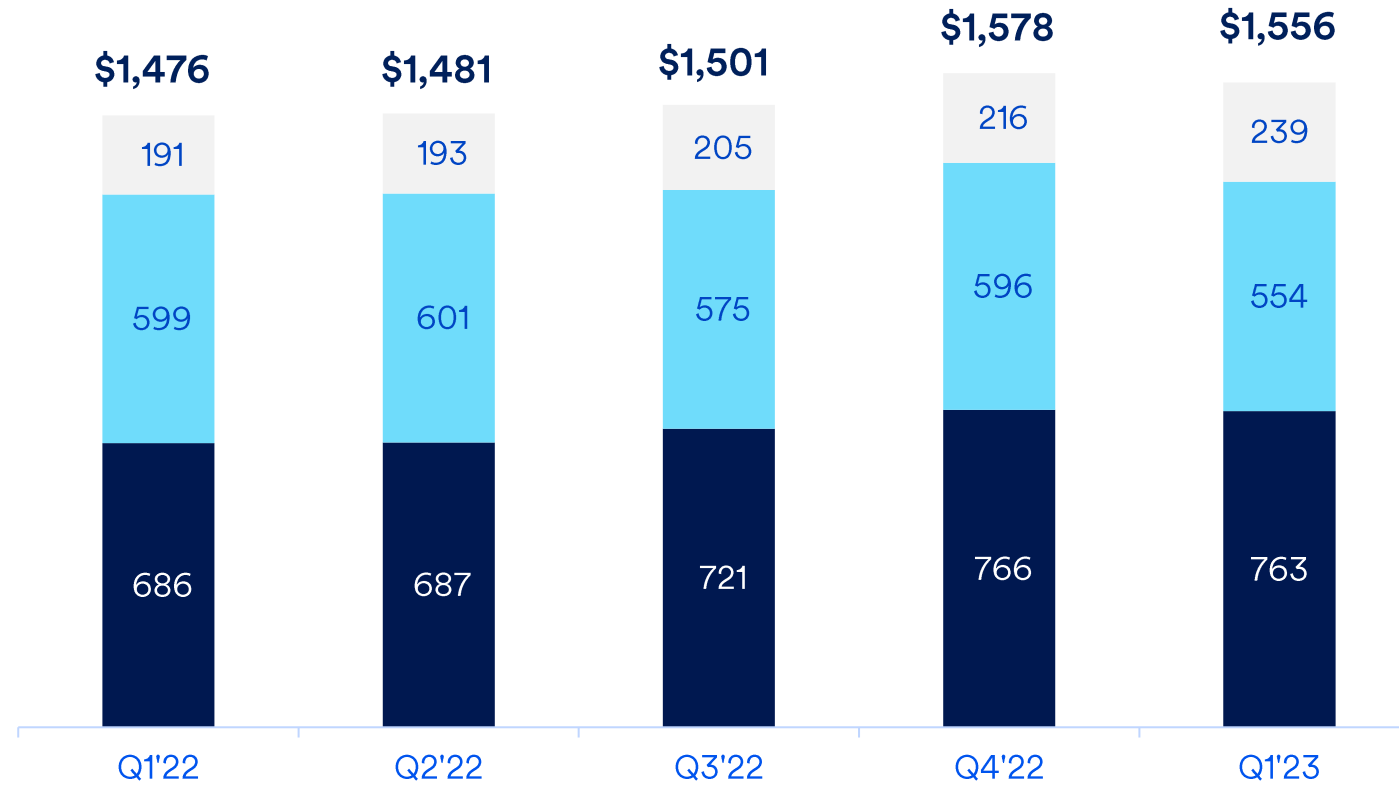
Projected Four-Wall Hospital Economics



CONSISTENT AND DIVERSIFIED REVENUE GROWTH ACROSS BUSINESSES

NET REVENUE BY CATEGORY

(\$ in millions)



Revenue growth	4%	3%	4%	4%	5%
1-year comp growth	5%	4%	4%	5%	5%
2-year comp growth	33%	23%	20%	19%	10%

■ Consumables ■ Supplies and CA ■ Services and Other

Key Revenue Highlights

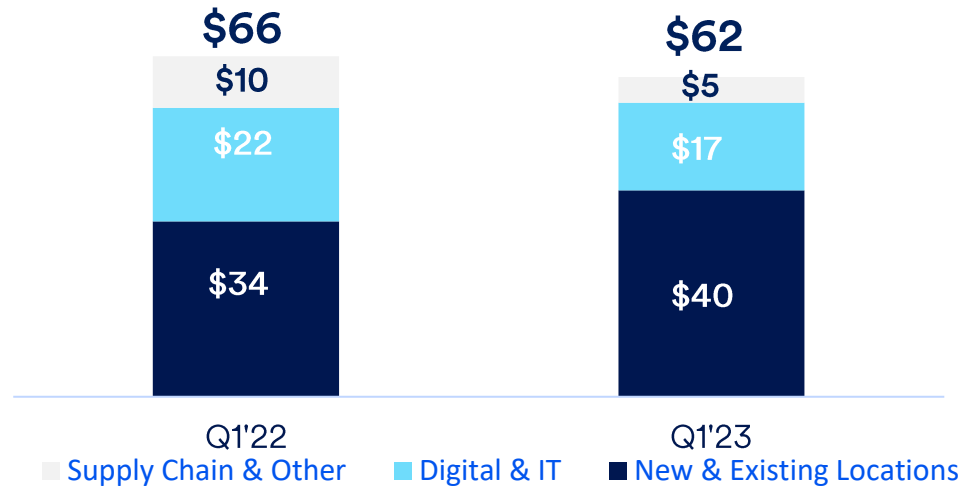
- Continued top-line performance with 5% year-over-year growth
- Comp sales of 5% driven by sustained growth in average basket
- Q1 revenue growth driven by broad based strength:
 - Consumables: up 11% y/y and 27% on a 2-year stack
 - Services & Other: up 25% y/y and 43% on a 2-year stack
 - Digital: up 11% y/y and 22% on a 2-year stack

ONGOING FOCUS ON BALANCE SHEET WHILE INVESTING FOR GROWTH

Capital Expenditures

(5.9% year-over-year)

(\$ in millions)



Key Cash Flow & Balance Sheet Highlights

- Ongoing commitment to balance sheet strength through debt paydown, including \$60M paid down YTD through May 2023
- Ongoing focus on working capital opportunities to drive Free Cash Flow¹ growth
- Liquidity² remains strong at \$593 million

	Q1'23		Q1'22
Free Cash Flow¹	\$(24)M	\$(16)M	\$(8)M
Net Debt¹	\$1.5B	(0%)	\$1.5B
Liquidity²	\$593M	(6%)	\$630M

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

(2) Sum of cash and cash equivalents and availability under revolver.

PETCO'S PURPOSE IN ACTION

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

Petco Partners

Honored highest performing partners as Epic Elite Achievers, thanking them for their leadership and dedication to purpose driven performance.

Leadership teams volunteered at the local food bank with Feeding San Diego.

Petco Love

Saved over 100,000 pet lives in Q1 and have now reunited over 20,000 pets to date through Petco Love lost.

Delivered over 240,000 free vaccines in Q1 through the Vaccinated & Loved Initiative in partnership with Merck.

ESG and sustainability

Released 2022 ESG report on May 19.

Became first national omnichannel pet retailer to offer designated Clean Grooming services and products.

Established a new in-store plastic recycling pilot program in partnership with Trex's recycling collection program "NexTrex".



PETCO: PILLARS OF GROWTH



SERVICES INTEGRATION

Fully integrated services offerings including vet clinics, maturing hospitals, and grooming & training continue to support and transform four-wall economics



MERCHANDISE DIFFERENTIATION

Leverage pet humanization and premiumization trends in favorable category through differentiated and exclusive assortment, with customer-centric model offering value and driving share of wallet



OMNICHANNEL OFFERING

Structurally advantaged “last-mile” delivery capability using Pet Care Centers as leverage, with focus on technology to drive flexibility and cross-selling opportunities

NON-GAAP MEASURES AND OTHER DEFINITIONS



Non-GAAP Measures and Other Definitions

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

Adjusted EBITDA: Adjusted EBITDA, including Trailing Twelve Month Adjusted EBITDA, is considered a non-GAAP financial measure under the Securities and Exchange Commission's (SEC) rules because it excludes certain amounts included in net income calculated in accordance with GAAP. Management believes that Adjusted EBITDA is a meaningful measure to share with investors because it facilitates comparison of the current period performance with that of the comparable prior period. In addition, Adjusted EBITDA affords investors a view of what management considers to be Petco's core operating performance as well as the ability to make a more informed assessment of such operating performance as compared with that of the prior period. Please see the company's Annual Report on Form 10-K filed on March 28, 2023 with the SEC for additional information on Adjusted EBITDA.

Adjusted Net Income and Adjusted EPS: Adjusted Net Income and Adjusted diluted earnings per share attributable to Petco common stockholders (Adjusted EPS) are considered non-GAAP financial measures under the SEC's rules because they exclude certain amounts included in the net income attributable to Petco common stockholders and diluted earnings per share attributable to Petco common stockholders calculated in accordance with GAAP. Management believes that Adjusted Net Income and Adjusted EPS are meaningful measures to share with investors because they facilitate comparison of the current period performance with that of the comparable prior period. In addition, Adjusted Net Income and Adjusted EPS afford investors a view of what management considers to be Petco's core earnings performance as well as the ability to make a more informed assessment of such earnings performance with that of the prior period.

Free Cash Flow: Free Cash Flow is a non-GAAP financial measure that is calculated as net cash provided by operating activities less cash paid for fixed assets. Management believes that Free Cash Flow, which measures the ability to generate additional cash from business operations, is an important financial measure for use in evaluating the company's financial performance.

Net Debt: Net Debt is a non-GAAP financial measure that is calculated as the sum of current and non-current debt, less cash and cash equivalents. Management considers this adjustment useful because it reduces the volatility of total debt caused by fluctuations between cash paid against the company's revolving credit facility and cash held on hand in cash and cash equivalents.

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

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

Non-GAAP Measures: Adjusted EBITDA*

(dollars in thousands)	13 Weeks Ended	
	April 29, 2023	April 30, 2022
Reconciliation of Net (Loss) Income Attributable to Class A and B-1 Common Stockholders to Adjusted EBITDA		
Net (loss) income attributable to Class A and B-1 common stockholders	\$ (1,892)	\$ 24,693
Add (deduct):		
Interest expense, net	36,025	19,614
Income tax expense	(1,008)	10,000
Depreciation and amortization	49,255	46,967
Income from equity method investees	(3,130)	(3,163)
Loss on partial extinguishment of debt	441	—
Asset impairments and write offs	4	162
Equity-based compensation	22,129	12,222
Other non-operating income	(2,819)	(314)
Mexico joint venture EBITDA (1)	8,734	6,778
Acquisition-related integration costs (2)	—	2,236
Other costs (3)	3,287	—
Adjusted EBITDA	\$ 111,026	\$ 119,195
Net sales	\$ 1,555,908	\$ 1,475,991
Net margin (4)	(0.1%)	1.7%
Adjusted EBITDA Margin	7.1%	8.1%

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

(in thousands, except per share amounts)

Reconciliation of Diluted EPS to Adjusted EPS

	13 Weeks Ended			
	April 29, 2023		April 30, 2022	
	Amount	Per share	Amount	Per share
Net (loss) income attributable to common stockholders / diluted EPS	\$ (1,892)	\$ (0.01)	\$ 24,693	\$ 0.09
Add (deduct):				
Income tax expense	(1,008)	(0.01)	10,000	0.04
Loss on partial extinguishment of debt	441	0.00	—	—
Asset impairments and write offs	4	0.00	162	0.00
Equity-based compensation	22,129	0.10	12,222	0.04
Other non-operating income	(2,819)	(0.01)	(314)	(0.00)
Acquisition-related integration costs (2)	—	—	2,236	0.01
Other costs (3)	3,287	0.01	—	—
Adjusted pre-tax income / diluted earnings per share	\$ 20,142	\$ 0.08	\$ 48,999	\$ 0.18
Income tax expense at 26% normalized tax rate	5,237	0.02	12,739	0.04
Adjusted Net Income / Adjusted EPS	\$ 14,905	\$ 0.06	\$ 36,260	\$ 0.14

Non-GAAP Measures: Free Cash Flow

(in thousands)

	13 Weeks Ended	
	April 29, 2023	April 30, 2022
Net cash provided by operating activities	\$ 37,651	\$ 57,519
Cash paid for fixed assets	(62,050)	(65,910)
Free Cash Flow	\$ (24,399)	\$ (8,391)

Net Sales by Category

	13 Weeks Ended						
	April 29, 2023	April 30, 2022	May 1, 2021	May 2, 2020	% Change (1 yr)	% Change (2 yr)	% Change (3 yr)
Consumables	\$ 763,051	\$ 685,930	\$ 595,132	\$ 525,752	11%	27%	40%
Supplies and companion animals	553,545	599,179	658,172	493,734	(8%)	(17%)	17%
Services and other	239,312	190,882	161,690	94,035	25%	43%	115%
Net sales	\$1,555,908	\$1,475,991	\$1,414,994	\$1,113,521	5%	10%	37%

Adjusted EBITDA, Adjusted Net Income and Adjusted EPS Footnotes

- (1) Mexico Joint Venture EBITDA represents 50 percent of the entity's operating results for all periods, as adjusted to reflect the results on a basis comparable to Adjusted EBITDA. In the financial statements, this joint venture is accounted for as an equity method investment and reported net of depreciation and income taxes. Because such a presentation would not reflect the adjustments made in the calculation of Adjusted EBITDA, we include the 50 percent interest in the company's Mexico joint venture on an Adjusted EBITDA basis to ensure consistency. Refer to earnings releases, quarterly and annual reports posted to our website for reconciliations of Mexico joint venture net income to Mexico joint venture EBITDA.
- (2) Acquisition/integration costs include direct costs resulting from acquiring and integrating businesses. These include third-party professional and legal fees and other integration-related costs that would not have otherwise been incurred as part of the company's operations.
- (3) Other costs include, as incurred: restructuring costs and restructuring-related severance costs; legal reserves associated with significant, non-ordinary course legal or regulatory matters; and costs related to certain significant strategic transactions.
- (4) We define net margin as net income attributable to Class A and B-1 common stockholders divided by net sales and Adjusted EBITDA margin as Adjusted EBITDA divided by net sales.

THANK YOU

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WELLNESS CO.