

PETCO SECOND QUARTER 2024 EARNINGS CALL

September 10, 2024



SAFE HARBOR AND NON-GAAP MEASURES

This Presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 as contained in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact, including, but not limited to, statements regarding our Q3 2024 guidance, operational reset of our business, our competitive positioning, profitability, and cost action plans and associated cost-savings. Such forward-looking statements can generally be identified by the use of forward-looking terms such as “believes,” “expects,” “may,” “intends,” “will,” “shall,” “should,” “anticipates,” “opportunity,” “illustrative”, or the negative thereof or other variations thereon or comparable terminology. Although Petco believes that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct or that any forward-looking results will occur or be realized. Nothing contained in this Presentation is, or should be relied upon as, a promise or representation or warranty as to any future matter, including any matter in respect of the operations or business or financial condition of Petco. All forward-looking statements are based on current expectations and assumptions about future events that may or may not be correct or necessarily take place and that are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Petco. Forward-looking statements are subject to a number of risks, uncertainties, and other factors that could cause actual results or events to differ materially from the potential results or events discussed in the forward-looking statements, including, without limitation, those identified in this Presentation as well as the following: (i) increased competition (including from multi-channel retailers, mass and grocery 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 conflicts in Ukraine and the Middle East), health crises, and pandemics; (xiv) our ability to maintain positive brand perception and recognition; (xv) product safety and quality concerns; (xvi) changes to labor or employment laws or regulations; (xvii) our ability to effectively manage our real estate portfolio; (xviii) constraints in the capital markets or our vendor credit terms; (xix) changes in our credit ratings; (xx) impairments of the carrying value of our goodwill and other intangible assets; (xxi) our ability to successfully implement our operational adjustments, achieve the expected benefits of our cost action plans and drive improved profitability; and (xxii) the other risks, uncertainties and other factors identified under “Risk Factors” and elsewhere in Petco’s Securities and Exchange Commission filings. The occurrence of any such factors could significantly alter the results set forth in these statements.

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

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

Second Quarter

KEY TAKEAWAYS

- ▶ Announced Joel Anderson as Chief Executive Officer with Mike Mohan transitioning to lead a new Board committee focused on value creation
- ▶ Increased focus on strengthening retail fundamentals while executing on cost initiatives across organization
- ▶ Net revenue of \$1.52 billion and comparable sales +0.3% y/y, largely driven by strength in Services and Vet sales +10% y/y
- ▶ Remain committed to improving profitability and expect positive free cash flow¹ in FY24

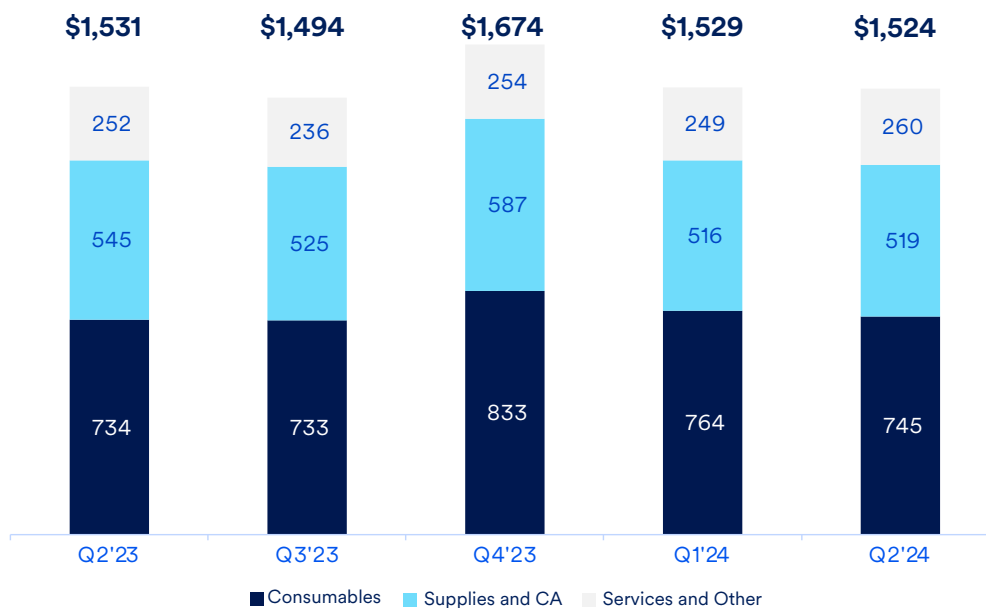
(1) Non-GAAP financial measure; see definition and reconciliation at the end of this Presentation.



Q2 REVENUE PERFORMANCE

NET REVENUE BY CATEGORY

(\$ in millions)



Revenue growth	3%	(0%)	6% ⁽¹⁾	(2%)	(0%)
1-year comp growth	3%	(0%)	(1%)	(1%)	0%
2-year comp growth	7%	4%	4%	4%	4%

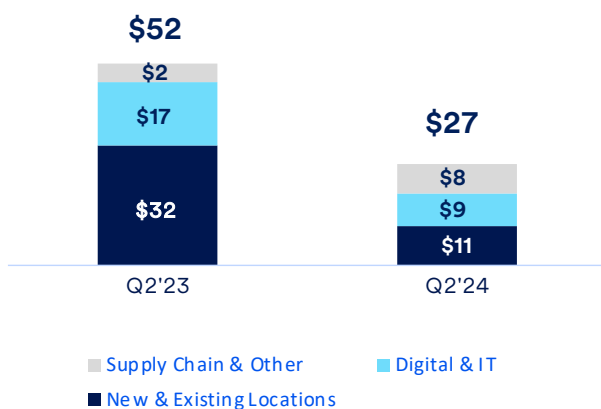
(1) On an as-reported basis (14-week Q4'23 vs. 13-week Q4'22)

Key Revenue Highlights

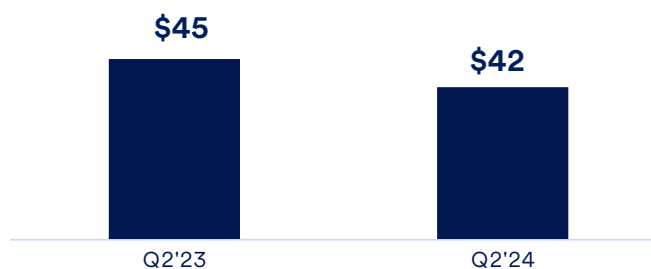
- Net revenue roughly flat y/y and Comp sales +0.3% y/y
- Continued strength in Services and Vet, with sales up 10% y/y, driven by Vetco Mobile and Vet Hospitals, each up ~20% y/y; Services & Other +3% y/y
- Consumables revenue +1% y/y supported by strength in Fresh Frozen revenue growth at 17% y/y
- Discretionary categories continue to remain soft with Supplies and Companion Animal (5%) y/y

CONTINUED FOCUS ON STRENGTHENING BALANCE SHEET

Capital Expenditures (Down 47% year-over-year) (\$ in millions)



Free Cash Flow¹ (Down \$3M year-over-year) (\$ in millions)



Key Cash Flow & Balance Sheet Highlights

- Strong sequential improvement with Q2 free cash flow¹ of \$42M
- Free cash flow broke even in first half of FY24 and expect positive free cash flow for full-year
- Liquidity² remains strong at \$655M
- Maintaining prudent approach to capital allocation with CapEx spend expected to be \$140M in FY24

	Q2'24	Incr / (Decr)	Q2'23
Net Debt¹	\$1.46B	1%	\$1.44B
Liquidity²	\$655M	6%	\$619M

(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.

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 April 3, 2024 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⁽¹⁾; 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.

(1) Pupbox assets were divested in Q1 2024.

Non-GAAP Measures: Adjusted EBITDA*

(dollars in thousands)	13 Weeks Ended	
	August 3, 2024	July 29, 2023
Reconciliation of Net Loss Attributable to Class A and B-1 Common Stockholders to Adjusted EBITDA		
Net loss attributable to Class A and B-1 common stockholders	\$ (24,823)	\$ (14,606)
Add (deduct):		
Interest expense, net	36,133	36,729
Income tax (benefit) expense	(4,651)	6,732
Depreciation and amortization	49,718	48,664
Income from equity method investees	(4,191)	(3,328)
Loss on partial extinguishment of debt	—	305
Goodwill impairment	—	—
Asset impairments and write offs	3,561	1,031
Equity-based compensation	11,914	24,119
Other non-operating (income) loss	—	(1,795)
Mexico joint venture EBITDA (1)	9,902	8,544
Acquisition and divestiture-related costs (2)	—	—
Other costs (3)	5,960	6,183
Adjusted EBITDA	\$ 83,523	\$ 112,578
Net sales	\$ 1,523,755	\$ 1,530,734
Net margin (4)	(1.6%)	(1.0%)
Adjusted EBITDA Margin	5.5%	7.4%

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			
	August 3, 2024		July 29, 2023	
	Amount	Per share	Amount	Per share
Net loss attributable to common stockholders / diluted EPS	\$ (24,823)	\$ (0.09)	\$ (14,606)	\$ (0.05)
Add (deduct):				
Income tax (benefit) expense	(4,651)	(0.01)	6,732	0.02
Loss on partial extinguishment of debt	—	—	305	0.00
Goodwill impairment	—	—	—	—
Asset impairments and write offs	3,561	0.01	1,031	0.01
Equity-based compensation	11,914	0.04	24,119	0.09
Other non-operating income	—	—	(1,795)	(0.01)
Other costs (3)	5,960	0.02	6,183	0.02
Adjusted pre-tax (loss) income / diluted (loss) earnings per share	\$ (8,039)	\$ (0.03)	\$ 21,969	\$ 0.08
Income tax (benefit) expense at 26% normalized tax rate	(2,090)	(0.01)	5,712	0.02
Adjusted Net (Loss) Income / Adjusted EPS	\$ (5,949)	\$ (0.02)	\$ 16,257	\$ 0.06

Non-GAAP Measures: Free Cash Flow

(in thousands)

	13 Weeks Ended	
	August 3, 2024	July 29, 2023
Net cash provided by operating activities	\$ 69,370	\$ 96,614
Cash paid for fixed assets	(27,388)	(51,973)
Free Cash Flow	\$ 41,982	\$ 44,641

Non-GAAP Measures: Net Debt

(dollars in thousands)	August 3, 2024	February 3, 2024	July 29, 2023
Total debt:			
Senior secured credit facilities, net, including current portion	\$ 1,575,630	\$ 1,576,223	\$ 1,588,523
Finance leases, including current portion	14,839	24,172	26,724
Total debt	1,590,469	1,600,395	1,615,247
Less: cash and cash equivalents	(127,620)	(125,428)	(173,014)
Net Debt	\$ 1,462,849	\$ 1,474,967	\$ 1,442,233
Adjusted EBITDA (TTM)	\$ 336,666	\$ 401,103	\$ 501,681
Net Debt / Adjusted EBITDA ratio	4.3x	3.7x	2.9x

Net Sales by Category

	13 Weeks Ended						
	August 3, 2024	July 29, 2023	July 30, 2022	July 31, 2021	% Change (1 yr)	% Change (2 yr)	% Change (3 yr)
Consumables	\$ 744,766	\$ 734,077	\$ 687,068	\$ 611,946	1%	8%	21%
Supplies and companion animals	518,983	544,521	600,711	663,572	(5%)	(14%)	(24%)
Services and other	260,006	252,136	193,018	159,016	3%	34%	55%
Net sales	\$1,523,755	\$1,530,734	\$1,480,797	\$1,434,534	(0%)	3%	6%

Non-GAAP Financial Measures' Footnotes

- (1) Mexico Joint Venture EBITDA represents 50 percent of the entity's operating results for all periods, as adjusted to reflect the results on a basis comparable to Adjusted EBITDA. In the financial statements, this joint venture is accounted for as an equity method investment and reported net of depreciation and income taxes. Because such a presentation would not reflect the adjustments made in the calculation of Adjusted EBITDA, we include the 50 percent interest in the company's Mexico joint venture on an Adjusted EBITDA basis to ensure consistency. Refer to earnings releases, quarterly and annual reports posted to our website for reconciliations of Mexico joint venture net income to Mexico joint venture EBITDA.
- (2) Acquisition and divestiture-related costs include direct costs resulting from acquiring, integrating, or divesting businesses. These include third-party professional and legal fees, losses on sales of divestitures, 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.

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