UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended October 29, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to

Commission File Number: 001-39878

Petco Health and Wellness Company, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware (State or other jurisdiction of incorporation or organization)	**81-1005932** (I.R.S. Employer Identification No.)
10850 Via Frontera **San Diego, California** (Address of principal executive offices)	**92127** (Zip Code)

Registrant's telephone number, including area code: (858) 453-7845

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value $0.001 per share	WOOF	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the registrant's Class A Common Stock outstanding as of December 6, 2022 was 228,129,255.

The number of shares of the registrant's Class B-1 Common Stock outstanding as of December 6, 2022 was 37,790,781.

The number of shares of the registrant's Class B-2 Common Stock outstanding as of December 6, 2022 was 37,790,781.

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Forward-Looking Statements

This Quarterly Report on Form 10-Q (this “Form 10-Q”) 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 not statements of historical fact, including statements regarding: our expectations with respect to our revenue, expenses, profitability, and other operating results; our growth plans; our ability to compete effectively in the markets in which we participate; the execution on our transformation initiatives; and the impact of certain macroeconomic factors, including inflationary pressures, global supply chain constraints and global economic and geopolitical developments, on our business. Forward-looking and other statements in this Form 10-Q may also address our progress, plans, and goals with respect to sustainability initiatives, and the inclusion of such statements is not an indication that these contents are necessarily material to investors or required to be disclosed in our filings with the U.S. Securities and Exchange Commission (the “SEC”). Such plans and goals may change, and statements regarding such plans and goals are not guarantees or promises that they will be met. In addition, historical, current, and forward-looking sustainability-related statements may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future.

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 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 or that any forward-looking results will occur or be realized. Nothing contained in this Form 10-Q is, or should be relied upon as, a promise or representation or warranty as to any future matter, including any matter in respect of our operations or business or financial condition. All forward-looking statements are based on 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 of our control.

Forward-looking statements are subject to many risks, uncertainties and other factors that could cause actual results or events to differ materially from the potential results or events discussed in such forward-looking statements, including, without limitation, those identified in this Form 10-Q 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; (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 referred to under “Risk Factors” and identified elsewhere in this Form 10-Q and our other filings with the SEC. The occurrence of any such factors could significantly alter the results set forth in these statements.

We caution 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. We undertake 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.

In addition, statements such as “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 Form 10-Q. 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.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

PETCO HEALTH AND WELLNESS COMPANY, INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	October 29, 2022	January 29, 2022
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 148,731	$ 211,602
Receivables, less allowance for credit losses ($1,140 and $931, respectively)	46,446	55,618
Merchandise inventories, net	723,424	675,111
Prepaid expenses	43,708	42,355
Other current assets	56,724	86,091
Total current assets	1,019,033	1,070,777
Fixed assets	1,937,804	1,745,691
Less accumulated depreciation	(1,146,217)	(1,018,769)
Fixed assets, net	791,587	726,922
Operating lease right-of-use assets	1,378,336	1,338,465
Goodwill	2,191,891	2,183,991
Trade name	1,025,000	1,025,000
Other long-term assets	171,045	152,786
Total assets	$ 6,576,892	$ 6,497,941
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable and book overdrafts	$ 384,595	$ 403,976
Accrued salaries and employee benefits	125,113	150,630
Accrued expenses and other liabilities	220,055	210,872
Current portion of operating lease liabilities	304,789	265,897
Current portion of long-term debt and other lease liabilities	22,645	21,764
Total current liabilities	1,057,197	1,053,139
Senior secured credit facilities, net, excluding current portion	1,631,335	1,640,390
Operating lease liabilities, excluding current portion	1,131,081	1,096,133
Deferred taxes, net	298,380	318,355
Other long-term liabilities	130,990	134,105
Total liabilities	4,248,983	4,242,122
Commitments and contingencies (Notes 3 and 6)		
Stockholders' equity:		
Class A common stock, $0.001 par value: Authorized - 1.0 billion shares; Issued and outstanding - 227.9 million and 227.2 million shares, respectively	228	227
Class B-1 common stock, $0.001 par value: Authorized - 75.0 million shares; Issued and outstanding - 37.8 million shares	38	38
Class B-2 common stock, $0.000001 par value: Authorized - 75.0 million shares; Issued and outstanding - 37.8 million shares	—	—
Preferred stock, $0.001 par value: Authorized - 25.0 million shares; Issued and outstanding - none	—	—
Additional paid-in-capital	2,131,930	2,133,821
Retained earnings	200,235	142,166
Accumulated other comprehensive loss	(4,522)	(2,238)
Total stockholders' equity	2,327,909	2,274,014
Noncontrolling interest	—	(18,195)
Total equity	2,327,909	2,255,819
Total liabilities and equity	$ 6,576,892	$ 6,497,941

See accompanying notes to consolidated financial statements.

PETCO HEALTH AND WELLNESS COMPANY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts) (Unaudited)

	Thirteen weeks ended		Thirty-nine weeks ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Net sales	$ 1,501,220	$ 1,443,264	$ 4,458,008	$ 4,292,792
Cost of sales	903,543	848,555	2,658,180	2,501,688
Gross profit	597,677	594,709	1,799,828	1,791,104
Selling, general and administrative expenses	549,622	532,760	1,651,829	1,607,938
Operating income	48,055	61,949	147,999	183,166
Interest income	(130)	(18)	(287)	(53)
Interest expense	27,307	18,769	68,761	58,504
Loss on extinguishment and modification of debt	—	—	—	20,838
Other non-operating (income) loss	(576)	(19,773)	9,369	(64,934)
Income before income taxes and income from equity method investees	21,454	62,971	70,156	168,811
Income tax expense	4,161	14,095	20,799	43,784
Income from equity method investees	(2,627)	(2,637)	(7,821)	(7,490)
Net income	19,920	51,513	57,178	132,517
Net loss attributable to noncontrolling interest	—	(1,239)	(891)	(2,906)
Net income attributable to Class A and B-1 common stockholders	$ 19,920	$ 52,752	$ 58,069	$ 135,423
Net income per Class A and B-1 common share:				
Basic	$ 0.07	$ 0.20	$ 0.22	$ 0.51
Diluted	$ 0.07	$ 0.20	$ 0.22	$ 0.51
Weighted average shares used in computing net income per Class A and B-1 common share:				
Basic	265,689	264,228	265,390	264,220
Diluted	265,935	265,322	265,824	265,189

See accompanying notes to consolidated financial statements.

PETCO HEALTH AND WELLNESS COMPANY, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands) (Unaudited)

	Thirteen weeks ended		Thirty-nine weeks ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Net income	$ 19,920	$ 51,513	$ 57,178	$ 132,517
Net loss attributable to noncontrolling interest	—	(1,239)	(891)	(2,906)
Net income attributable to Class A and B-1 common stockholders	19,920	52,752	58,069	135,423
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	89	(1,056)	(2,284)	(1,053)
Total other comprehensive income (loss), net of tax	89	(1,056)	(2,284)	(1,053)
Comprehensive income	20,009	50,457	54,894	131,464
Comprehensive loss attributable to noncontrolling interest	—	(1,239)	(891)	(2,906)
Comprehensive income attributable to Class A and B-1 common stockholders	$ 20,009	$ 51,696	$ 55,785	$ 134,370

See accompanying notes to consolidated financial statements.

PETCO HEALTH AND WELLNESS COMPANY, INC.

CONSOLIDATED STATEMENTS OF EQUITY
(In thousands) (Unaudited)

	Common stock									
	Class A (shares)	Class B-1 (shares)	Class B-2 (shares)	Amount	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Total stockholders' equity	Noncontrolling interest	Total equity
Balance at January 29, 2022	227,187	37,791	37,791	$ 265	$ 2,133,821	$ 142,166	$ (2,238)	$ 2,274,014	$ (18,195)	$ 2,255,819
Equity-based compensation expense (Note 5)	—	—	—	—	12,055	—	—	12,055	—	12,055
Net income	—	—	—	—	—	24,693	—	24,693	(891)	23,802
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	(1,598)	(1,598)	—	(1,598)
Issuance of common stock, net of tax withholdings	291	—	—	—	(2,371)	—	—	(2,371)	—	(2,371)
Balance at April 30, 2022	227,478	37,791	37,791	$ 265	$ 2,143,505	$ 166,859	$ (3,836)	$ 2,306,793	$ (19,086)	$ 2,287,707
Equity-based compensation expense (Note 5)	—	—	—	—	13,422	—	—	13,422	—	13,422
Net income	—	—	—	—	—	13,456	—	13,456	—	13,456
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	(775)	(775)	—	(775)
Investment in veterinary joint venture (Note 1)	—	—	—	—	(54,086)	—	—	(54,086)	19,086	(35,000)
Issuance of common stock, net of tax withholdings	431	—	—	1	335	—	—	336	—	336
Balance at July 30, 2022	227,909	37,791	37,791	$ 266	$ 2,103,176	$ 180,315	$ (4,611)	$ 2,279,146	$ —	$ 2,279,146
Equity-based compensation expense (Note 5)	—	—	—	—	16,069	—	—	16,069	—	16,069
Net income	—	—	—	—	—	19,920	—	19,920	—	19,920
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	89	89	—	89
Deferred tax effect of investment in veterinary joint venture (Note 1)	—	—	—	—	12,807	—	—	12,807	—	12,807
Issuance of common stock, net of tax withholdings	34	—	—	—	(122)	—	—	(122)	—	(122)
Balance at October 29, 2022	227,943	37,791	37,791	$ 266	$ 2,131,930	$ 200,235	$ (4,522)	$ 2,327,909	$ —	$ 2,327,909

	Common stock									
	Class A (shares)	Class B-1 (shares)	Class B-2 (shares)	Amount	Additional paid-in capital	(Accumulated deficit) retained earnings	Accumulated other comprehensive loss	Total stockholders' equity	Noncontrolling interest	Total equity
Balance at January 30, 2021	226,424	37,791	37,791	$ 264	$ 2,092,110	$ (22,251)	$ (1,275)	$ 2,068,848	$ (13,583)	$ 2,055,265
Equity-based compensation expense (Note 5)	—	—	—	—	11,604	—	—	11,604	—	11,604
Net income	—	—	—	—	—	7,560	—	7,560	(1,411)	6,149

Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	(786)	(786)	—	(786)
Issuance of restricted stock awards	55	—	—	—	—	—	—	—	—	—
Balance at May 1, 2021	226,479	37,791	37,791	$ 264	$ 2,103,714	$ (14,691)	$ (2,061)	$ 2,087,226	$ (14,994)	$ 2,072,232
Equity-based compensation expense (Note 5)	—	—	—	—	11,506	—	—	11,506	—	11,506
Net income	—	—	—	—	—	75,111	—	75,111	(256)	74,855
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	789	789	—	789
Issuance of common stock	12	—	—	—	—	—		—	—	—
Balance at July 31, 2021	226,491	37,791	37,791	$ 264	$ 2,115,220	$ 60,420	$ (1,272)	$ 2,174,632	$ (15,250)	$ 2,159,382
Equity-based compensation expense (Note 5)	—	—	—	—	11,087	—	—	11,087	—	11,087
Net income	—	—	—	—	—	52,752	—	52,752	(1,239)	51,513
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	(1,056)	(1,056)	—	(1,056)
Issuance of common stock, net of tax withholdings	1	—	—	—	(13)	—		(13)	—	(13)
Balance at October 30, 2021	226,492	37,791	37,791	$ 264	$ 2,126,294	$ 113,172	$ (2,328)	$ 2,237,402	$ (16,489)	$ 2,220,913

See accompanying notes to consolidated financial statements.

PETCO HEALTH AND WELLNESS COMPANY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands) (Unaudited)

	Thirty-nine weeks ended	
	October 29, 2022	October 30, 2021
Cash flows from operating activities:		
Net income	$ 57,178	$ 132,517
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	143,599	125,637
Amortization of debt discounts and issuance costs	3,694	4,579
Provision for deferred taxes	(6,413)	28,523
Equity-based compensation	40,892	36,491
Impairments, write-offs and losses on sale of fixed and other assets	2,299	5,918
Loss on extinguishment and modification of debt	—	20,838
Income from equity method investees	(7,821)	(7,490)
Non-cash operating lease costs	316,492	315,930
Other non-operating loss (income)	9,369	(64,934)
Changes in assets and liabilities:		
Receivables	9,171	(3,652)
Merchandise inventories	(48,314)	(105,682)
Prepaid expenses and other assets	(2,536)	(8,053)
Accounts payable and book overdrafts	(19,381)	47,973
Accrued salaries and employee benefits	(16,160)	27,673
Accrued expenses and other liabilities	12,110	45,437
Operating lease liabilities	(282,954)	(314,620)
Other long-term liabilities	(1,762)	1,359
Net cash provided by operating activities	209,463	288,444
Cash flows from investing activities:		
Cash paid for fixed assets	(212,074)	(164,330)
Cash paid for acquisitions, net of cash acquired	(7,750)	(3,545)
Cash paid for interest in veterinary joint venture	(35,000)	—
Proceeds from sale of assets	2,127	105
Net cash used in investing activities	(252,697)	(167,770)
Cash flows from financing activities:		
Borrowings under long-term debt agreements	123,000	1,700,000
Repayments of long-term debt	(135,750)	(1,686,611)
Debt refinancing costs	—	(24,665)
Payments for finance lease liabilities	(4,174)	(2,650)
Proceeds from employee stock purchase plan and stock option exercises	3,472	2,920
Tax withholdings on stock-based awards	(13,581)	(13)
Payment of offering costs	—	(3,844)
Net cash used in financing activities	(27,033)	(14,863)
Net (decrease) increase in cash, cash equivalents and restricted cash	(70,267)	105,811
Cash, cash equivalents and restricted cash at beginning of period	221,890	119,540
Cash, cash equivalents and restricted cash at end of period	$ 151,623	$ 225,351
Supplemental cash flow disclosures:		
Interest paid, net	$ 59,608	$ 47,006
Capitalized interest	$ 954	$ 642
Income taxes paid	$ 9,598	$ 13,718
Supplemental non-cash investing and financing activities disclosure:		
Accounts payable and accrued expenses for capital expenditures	$ 33,107	$ 36,623

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Basis of Presentation

Petco Health and Wellness Company, Inc. (together with its consolidated subsidiaries, the "Company") is a category-defining health and wellness company focused on improving the lives of pets, pet parents, and its own partners. The Company manages its business as one reportable operating segment.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments necessary for a fair presentation as prescribed by accounting principles generally accepted in the United States ("GAAP"). All adjustments were comprised of normal recurring adjustments, except as noted in these Notes to Consolidated Financial Statements.

There have been no significant changes from the significant accounting policies disclosed in Note 1 of the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2022.

The accompanying consolidated financial statements have been prepared in accordance with GAAP for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. Interim financial results are not necessarily indicative of results anticipated for the full year. The accompanying consolidated financial statements and these Notes to Consolidated Financial Statements should be read in conjunction with the audited consolidated financial statements and Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2022, from which the prior year balance sheet information herein was derived.

Use of Estimates

The preparation of these consolidated financial statements in conformity with GAAP 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.

Veterinary Joint Venture

The Company previously held a 50% investment in a joint venture with a domestic partner to build and operate veterinary clinics in Petco locations. The joint venture was a variable interest entity for which the Company was the primary beneficiary, and accordingly, the joint venture's results of operations and statements of financial position are included in the Company's consolidated financial statements. In May 2022, the Company completed the purchase of the remaining 50% of the issued and outstanding membership interests of the joint venture, which is now a wholly owned subsidiary of the Company, for cash consideration of $35.0 million. Direct transaction costs related to this purchase were not material. During the third quarter of fiscal 2022, the tax effects of the purchase were finalized, which resulted in a redetermination of the related deferred tax balances in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740 – Income Taxes.

Derivative Instruments

In November 2022, the Company entered into a series of interest rate cap agreements to limit the maximum interest on a portion of the Company's variable-rate debt and decrease its exposure to interest rate variability when the three-month Secured Overnight Financing Rate as published by CME Group exceeds 4.5%. The interest rate caps are forward-starting with an effective date of December 30, 2022 and expire on December 31, 2024.

Cash and Cash Equivalents

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 (in thousands):

	October 29, 2022	January 29, 2022
Cash and cash equivalents	$ 148,731	$ 211,602
Restricted cash included in other current assets	2,892	10,288
Total cash, cash equivalents and restricted cash in the statement of cash flows	$ 151,623	$ 221,890

Recent Accounting Pronouncements

In March 2020, the FASB issued Accounting Standards Update No. 2020-04 – Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which provides optional expedients and exceptions for applying GAAP to contract modifications, hedging relationships, and other transactions affected by the anticipated transition from LIBOR. As a result of the reference rate reform initiative, certain widely used reference rates such as LIBOR are expected to be discontinued. The guidance is designed to simplify how entities account for contracts, such as receivables, debt, leases, derivative instruments and hedging, that are modified to replace LIBOR or other benchmark interest rates with new rates. The guidance is effective upon issuance and may be applied through December 31, 2022. The Company is currently evaluating the impact of this accounting standard, but does not expect for it to have a material impact on the consolidated financial statements and related disclosures.

2. Revenue Recognition

Net sales by product type and services were as follows (in thousands):

	Thirteen weeks ended		Thirty-nine weeks ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Consumables	$ 720,512	$ 643,125	$ 2,093,510	$ 1,850,203
Supplies and companion animals	575,259	635,278	1,775,149	1,957,022
Services and other	205,449	164,861	589,349	485,567
Net sales	$ 1,501,220	$ 1,443,264	$ 4,458,008	$ 4,292,792

3. Senior Secured Credit Facilities

The Company previously had a senior secured term loan facility (the “Amended Term Loan Facility”), which was fully repaid on March 4, 2021, and a senior secured asset-based revolving credit facility (the “Amended Revolving Credit Facility”), which was terminated on March 4, 2021. On March 4, 2021, the Company entered into a $1,700.0 million secured term loan facility maturing on March 4, 2028 (the “First Lien Term Loan”) and a secured asset-based revolving credit facility with availability of up to $500.0 million, subject to a borrowing base, maturing on March 4, 2026 (the “ABL Revolving Credit Facility”).

As of October 29, 2022, the Company was in compliance with its covenants under the First Lien Term Loan and the ABL Revolving Credit Facility.

Term Loan Facilities

On March 4, 2021, the Company entered into the First Lien Term Loan and repaid all outstanding principal and interest on the Amended Term Loan Facility. Interest on the First Lien Term Loan is based on, at the

Company’s option, either a base rate or Adjusted LIBOR, subject to a 0.75% floor, payable upon maturity of the LIBOR contract, in either case plus the applicable rate. The base rate is the greater of the bank prime rate, federal funds effective rate plus 0.5% or Adjusted LIBOR plus 1.0%. The applicable rate is 2.25% per annum for a base rate loan or 3.25% per annum for an Adjusted LIBOR loan. Principal and interest payments commenced on June 30, 2021. Principal payments are $4.25 million quarterly.

In connection with the March 4, 2021 transaction described above, the Company recognized a loss on debt extinguishment and modification of $19.6 million on the term loan facilities, which consisted of a $6.5 million write-off of unamortized debt discount and issuance costs on the Amended Term Loan Facility and $13.1 million of third-party expenses.

Fees relating to the Company’s entry into the First Lien Term Loan consisted of arranger fees and other third-party expenses. Of those fees, $3.2 million was capitalized as debt issuance costs, along with $4.3 million of original issue discount. The remaining portion of original issue discount and debt issuance costs of the Amended Term Loan Facility previously capitalized is being amortized over the contractual term of the First Lien Term Loan to interest expense using the effective interest rate in effect on the date of issuance, as these amounts represent the portion that was not substantially modified.

As of October 29, 2022, the outstanding principal balance of the First Lien Term Loan was $1,674.5 million ($1,652.2 million, net of the unamortized discount and debt issuance costs). As of January 29, 2022, the outstanding principal balance of the First Lien Term Loan was $1,687.3 million ($1,662.1 million, net of the unamortized discount and debt issuance costs). The weighted average interest rate on the borrowings outstanding was 7.0% and 4.1% as of October 29, 2022 and January 29, 2022, respectively. Debt issuance costs are being amortized over the contractual term to interest expense using the effective interest rate in effect at issuance. As of October 29, 2022 and January 29, 2022, the estimated fair value of the First Lien Term Loan was approximately $1,611.7 million and $1,687.3 million, respectively, based upon Level 2 fair value hierarchy inputs.

Revolving Credit Facilities

On March 4, 2021, the Company entered into the ABL Revolving Credit Facility and terminated the Amended Revolving Credit Facility. The ABL Revolving Credit Facility has availability of up to $500.0 million, subject to a borrowing base.

Fees relating to the Company’s entry into the ABL Revolving Credit Facility consisted of arranger fees and other third-party expenses. Of those fees, $4.1 million was capitalized as debt issuance costs. Unamortized debt issuance costs of $1.2 million were written off and recognized as a loss on debt extinguishment and modification in connection with this transaction. The remaining portion of debt issuance costs of the Amended Revolving Credit Facility previously capitalized is being amortized over the contractual term of the ABL Revolving Credit Facility as these amounts represent the portion that was not substantially modified.

As of October 29, 2022 and January 29, 2022, no amounts were outstanding under the ABL Revolving Credit Facility. At October 29, 2022, $443.9 million was available under the ABL Revolving Credit Facility, which is net of $56.1 million of outstanding letters of credit issued in the normal course of business and no borrowing base reduction for a shortfall in qualifying assets. Unamortized debt issuance costs of $3.9 million relating to the ABL Revolving Credit Facility were outstanding and were being amortized using the straight-line method over the remaining term of the agreement as of October 29, 2022. Unamortized debt issuance costs of $4.7 million relating to the ABL Revolving Credit Facility were outstanding and were being amortized using the straight-line method over the remaining term of the agreement as of January 29, 2022.

The ABL Revolving Credit Facility has availability of 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 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 ABL Revolving Credit Facility by their face value.

Interest on the ABL Revolving Credit Facility is based on, at the Company’s option, either the base rate 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 base rate 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 ABL Revolving Credit Facility and the borrowing base, as follows:

Average Historical Excess Availability	Applicable Margin for Adjusted LIBOR Loans	Applicable Margin for Base Rate 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 ABL 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.

4. 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):

	October 29, 2022		
	Level 1	Level 2	Level 3
Assets (liabilities):			
Money market mutual funds	$ 88,416	$ —	$ —
Investments of officers' life insurance	$ —	$ 12,041	$ —
Non-qualified deferred compensation plan	$ —	$ (17,252)	$ —
Investment in Rover Group, Inc.	$ 23,449	$ —	$ —

	January 29, 2022		
	Level 1	Level 2	Level 3
Assets (liabilities):			
Money market mutual funds	$ 167,277	$ —	$ —
Investments of officers' life insurance	$ —	$ 14,575	$ —
Non-qualified deferred compensation plan	$ —	$ (17,453)	$ —
Investment in Rover Group, Inc.	$ 32,819	$ —	$ —

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 $86.5 million and $158.0 million as of October 29, 2022 and January 29, 2022, respectively. Also included in the Company’s money market mutual funds balances were $1.9 million and $9.3 million as of October 29, 2022 and January 29, 2022, respectively, which relate to the Company’s restricted cash, and are included in other current assets in the consolidated balance sheets.

The Company maintains a deferred compensation plan for key executives and other members of management, which is 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.

The Company previously held an equity investment, in the form of multiple series of preferred stock, in A Place for Rover, Inc., an online marketplace for pet care, which was historically accounted for as an equity security without a readily determinable fair value. In July 2021, A Place for Rover, Inc. completed a business combination with Nebula Caravel Acquisition Corp., a publicly-traded special purpose acquisition company. The combined entity was renamed to Rover Group, Inc. ("Rover"), and the Company's equity investment was converted into shares of Rover Class A common stock. In September 2021, the Company received additional shares of Rover Class A common stock in accordance with certain earnout provisions from the July 2021 business combination. The Company now remeasures the fair value of its investment on a quarterly basis, and the resulting gains or losses are included in other non-operating income in the consolidated statements of operations. On November 23, 2021, the Company completed the sale of approximately 11% of its Rover Class A common stock for net proceeds of $6.1 million in cash as part of its participation in an underwritten secondary offering by certain Rover shareholders.

In February 2022, the Company amended a collaboration agreement with a vendor, and as part of the amendment the Company was granted a right to receive equity and warrants for common shares of the vendor that is subject to certain performance conditions and other contingencies. The Company evaluated the agreement under FASB ASC 705-20, Consideration Received from a Vendor, and no material consideration was recognized during the thirty-nine week period ended October 29, 2022.

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 other investments, are reported at carrying value, or at fair value as of the date of the Company's acquisition of Petco Holdings, Inc. LLC on January 26, 2016, 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.

There were no triggering events identified and no indication of impairment of the Company's goodwill, indefinite-lived trade name, other intangible assets or equity and other investments during the thirteen or thirty-nine week periods ended October 29, 2022 and October 30, 2021. During the thirteen and thirty-nine week periods ended October 29, 2022, the Company recorded fixed asset and right-of-use asset impairment charges of $0.8 million and $1.8 million, respectively. During the thirteen and thirty-nine week periods ended October 30, 2021, the Company recorded fixed asset and right-of-use asset impairment charges of $2.9 million and $5.4 million, respectively.

5. Stockholders' Equity

Equity-Based Compensation

Equity-based compensation awards under the Company's current equity incentive plan (the "2021 Equity Incentive Plan") include restricted stock units ("RSUs," which include performance-based stock units), restricted stock awards ("RSAs"), non-qualified stock options, and other equity compensation awards. The Company also has an employee stock purchase plan ("ESPP").

The Company's controlling parent, Scooby LP, also maintains an incentive plan (the "2016 Incentive Plan") under which it has awarded partnership unit awards to certain current and former employees, consultants, and non-employee directors of the Company that are restricted profit interests in Scooby LP subject to a distribution threshold ("Series C Units").

The following table summarizes the Company's equity-based compensation expense by award type (in thousands):

	Thirteen weeks ended		Thirty-nine weeks ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
RSUs and RSAs	$ 9,602	$ 6,189	$ 24,759	$ 19,013
Options	1,820	1,892	5,666	6,029
ESPP	315	343	927	734
Other awards	4,038	4,957	9,540	10,715
Total equity-based compensation expense	$ 15,775	$ 13,381	$ 40,892	$ 36,491

Activity under the 2021 Equity Incentive Plan was as follows (shares and dollars in thousands):

	RSUs and RSAs	Options
Nonvested/outstanding, January 29, 2022	2,587	3,327
Granted	5,411	503
Vested and delivered/exercised	(1,040)	(45)
Forfeited/expired	(766)	(475)
Nonvested/outstanding, October 29, 2022	6,192	3,310
Unrecognized compensation expense as of October 29, 2022	$ 85,405	$ 10,681
Weighted average remaining expense period as of October 29, 2022	2.3 Years	1.6 Years

RSA activity has not been material and relates to an RSA of Class A common stock granted to an executive in March 2021. For this grant, 50% of the RSA becomes vested on each of the first two anniversaries of the grant date. Unvested RSAs are not considered participating securities for earnings per share purposes, as any related dividends are forfeitable.

The ESPP allows eligible employees to contribute up to 15% of their base earnings towards purchases of Class A common stock, subject to an annual maximum. The purchase price will be 85% of the lower of (i) the fair market value of the stock on the associated lookback date and (ii) the fair market value of the stock on the last day of the related purchase period.

Series C Unit activity under the 2016 Incentive Plan was as follows (in thousands):

	Units
Outstanding, January 29, 2022	207,178
Granted	—
Forfeited	(5,701)
Outstanding, October 29, 2022	201,477
Vested, October 29, 2022	148,225

No additional Series C Units have been or will be awarded following the Company's initial public offering. As of October 29, 2022, unrecognized compensation expense related to the unvested portion of Scooby LP's Series C Units was $10.8 million, which is expected to be recognized over a weighted average period of 1.5 years. In addition to acceleration upon a change in control, a portion of grantees' Series C Units may vest upon certain levels of direct or indirect sales by Scooby LP of the Company's Class A common stock, and all unvested Series C Units will fully accelerate in the event Scooby LP sells 90% or more of its direct or indirect holdings of the Company's Class A common stock.

Earnings (Loss) Per Share

Potentially dilutive securities include potential Class A common shares related to outstanding stock options, unvested RSUs and RSAs, and the ESPP, calculated using the treasury stock method. The calculation of diluted shares outstanding excludes securities where the combination of the exercise or purchase price (in the case of options and the ESPP) and the associated unrecognized compensation expense is greater than the average market price of Class A common shares because the inclusion of these securities would be anti-dilutive.

There were approximately 5.3 million and 3.5 million potential shares that were anti-dilutive and excluded from the computation of diluted shares outstanding during the thirty-nine weeks ended October 29, 2022 and October 30, 2021, respectively.

6. Commitments and Contingencies

The Company is involved in legal proceedings and is subject to other claims and litigation, in each case, 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.

Item 2. 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 consolidated financial statements and the accompanying notes included elsewhere in this Quarterly Report on Form 10-Q (this "Form 10-Q"), as well as the corresponding Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the fiscal year ended January 29, 2022 (the "2021 Form 10-K"). The discussion and analysis below contains certain forward-looking statements about our business and operations that are subject to the risks, uncertainties, and other factors referred to in Part II, Item 1A, "*Risk Factors*" of this Form 10-Q. 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. The risks described in this Form 10-Q and in other documents we file from time to time with the U.S. Securities and Exchange Commission (the "SEC"), including the section entitled "Forward-Looking Statements" in this Form 10-Q, should be carefully reviewed. All amounts herein are unaudited.

Overview

Founded in 1965, Petco Health and Wellness Company, Inc. ("Petco", the "Company", "we", "our" and "us") is a category-defining health and wellness company focused on improving the lives of pets, pet parents, and our own partners. We have consistently set new standards in pet care while delivering comprehensive pet wellness products, services and solutions, and creating communities that deepen the pet-pet parent bond. In recent years, we have transformed our business from a successful yet traditional retailer to a disruptive, fully integrated, omnichannel provider of holistic pet health and wellness offerings, including premium products, services, and veterinary care. Through our integrated ecosystem, we provide our over 25 million total active customers with a comprehensive offering of differentiated products and services to fulfill their pets' health and wellness needs through our more than 1,500 pet care centers in the U.S., Mexico, and Puerto Rico, including a growing network of more than 225 in-store veterinary hospitals, our digital channel, and our flexible fulfillment options.

Our multicategory, go-to-market strategy integrates our strong digital assets with our nationwide physical footprint to meet the needs of pet parents who are looking for a single source for all their pet's needs. Our e-commerce site and personalized mobile app serve as hubs for pet parents to manage their pets' health, wellness, and merchandise needs, while enabling them to shop wherever, whenever, and however they want. By leveraging our extensive physical network of pet care centers, we are able to offer our comprehensive product and service offering in a localized manner with a meaningful last-mile advantage over much of our competition. The full value of our health and wellness ecosystem is realized for customers through our Vital Care membership program. From the nutrition and supplies pets need each day, to the services that keep them at optimal health, Vital Care makes it easier and more affordable for pet parents to care for their pet's whole health all in one place. Vital Care memberships are at the top of our integrated loyalty programs, followed by our perks programs that provide rewards for frequent purchasing and our Pals Rewards loyalty program.

We strive to be a truly unique company, one that is saving and improving millions of pet lives and tangibly improving the lives of pet parents and the partners who work for us, while at the same time executing our differentiated strategy with excellence. In tandem with Petco Love (formerly the Petco Foundation), an independent nonprofit organization, we work with and support thousands of local animal welfare groups across the country and, through in-store adoption events, we have helped find homes for more than 6.6 million animals.

Macroeconomic factors, including the prolonged COVID-19 pandemic, inflationary pressures, supply chain constraints and global economic and geopolitical developments, have varying impacts on our results of operations that are difficult to isolate and quantify. We cannot predict the duration or ultimate severity of these macroeconomic factors or the ultimate impact on the broader economy or our operations and liquidity. Please refer to the risk factors referred to in Part II, Item 1A, "*Risk Factors*" of this Form 10-Q.

How We Assess the Performance of Our Business

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

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 pet care centers become comparable pet care centers on the first day of operation if the original pet care center was open longer than 12 full fiscal months. If, during the period presented, a pet care center was closed, sales from that pet care center are included up to the first day of the month of closing. 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 filing 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 also a key driver of changes in comparable sales.

Non-GAAP Financial Measures

Management and our board of directors review, in addition to GAAP (as defined herein) measures, certain non-GAAP financial measures, including Adjusted EBITDA, and Free Cash Flow, to evaluate our operating performance, generate future operating plans, and make strategic decisions regarding the allocation of capital. Further explanations of these non-GAAP measures, along with reconciliations to their most comparable GAAP measures, are presented below under "Reconciliation of Non-GAAP Financial Measures to GAAP Measures."

Executive Summary

The financial results for the thirteen weeks ended October 29, 2022 reflect continued business and customer growth and operational execution, while investing in strategic growth initiatives. Comparing the thirteen weeks ended October 29, 2022 with the thirteen weeks ended October 30, 2021 (unless otherwise noted), our results included the following:

- an increase in net sales from $1.44 billion to $1.50 billion, representing period-over-period growth of 4.0%;
- comparable sales growth of 4.1%;
- a decrease in operating income from $61.9 million to $48.1 million, representing a period-over-period decrease of 22.4%;
- a decrease in net income attributable to Class A and B-1 common stockholders from $52.8 million to $19.9 million, representing a period-over-period decrease of 62.2%, which was inclusive of a $19.2 million lower remeasurement of the fair value of an investment in securities and $14.7 million of integration-related costs related to the purchase of the remaining stake in our veterinary joint venture; and
- a decrease in Adjusted EBITDA from $138.5 million to $137.6 million, representing a period-over-period decrease of 0.7%.

Results of Operations

The following tables summarize our results of operations and the percent of net sales of line items included in our consolidated statements of operations (dollars in thousands):

	Thirteen weeks ended		Thirty-nine weeks ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Net sales	$ 1,501,220	$ 1,443,264	$ 4,458,008	$ 4,292,792
Cost of sales	903,543	848,555	2,658,180	2,501,688
Gross profit	597,677	594,709	1,799,828	1,791,104
Selling, general and administrative expenses	549,622	532,760	1,651,829	1,607,938
Operating income	48,055	61,949	147,999	183,166
Interest income	(130)	(18)	(287)	(53)
Interest expense	27,307	18,769	68,761	58,504
Loss on extinguishment and modification of debt	—	—	—	20,838
Other non-operating (income) loss	(576)	(19,773)	9,369	(64,934)
Income before income taxes and income from equity method investees	21,454	62,971	70,156	168,811
Income tax expense	4,161	14,095	20,799	43,784
Income from equity method investees	(2,627)	(2,637)	(7,821)	(7,490)
Net income	19,920	51,513	57,178	132,517
Net loss attributable to noncontrolling interest	—	(1,239)	(891)	(2,906)
Net income attributable to Class A and B-1 common stockholders	$ 19,920	$ 52,752	$ 58,069	$ 135,423

	Thirteen weeks ended		Thirty-nine weeks ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	60.2	58.8	59.6	58.3
Gross profit	39.8	41.2	40.4	41.7
Selling, general and administrative expenses	36.6	36.9	37.1	37.5
Operating income	3.2	4.3	3.3	4.2
Interest income	(0.0)	(0.0)	(0.0)	(0.0)
Interest expense	1.8	1.3	1.5	1.3
Loss on extinguishment and modification of debt	—	—	—	0.5
Other non-operating (income) loss	(0.0)	(1.4)	0.2	(1.5)
Income before income taxes and income from equity method investees	1.4	4.4	1.6	3.9
Income tax expense	0.3	1.0	0.5	1.0
Income from equity method investees	(0.2)	(0.2)	(0.2)	(0.2)
Net income	1.3	3.6	1.3	3.1
Net loss attributable to noncontrolling interest	—	(0.1)	(0.0)	(0.1)
Net income attributable to Class A and B-1 common stockholders	1.3%	3.7%	1.3%	3.2%

	Thirteen weeks ended		Thirty-nine weeks ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Operational Data:				
Comparable sales increase	4.1%	15.5%	4.3%	20.9%
Total pet care centers at end of period	1,428	1,449	1,428	1,449
Adjusted EBITDA (in thousands)	$ 137,555	$ 138,509	$ 412,061	$ 419,328

Thirteen and Thirty-nine Weeks Ended October 29, 2022 Compared with Thirteen and Thirty-nine Weeks Ended October 30, 2021

Net Sales and Comparable Sales

	Thirteen weeks ended				Thirty-nine weeks ended			
(dollars in thousands)	October 29, 2022	October 30, 2021	$ Change	% Change	October 29, 2022	October 30, 2021	$ Change	% Change
Consumables	$ 720,512	$ 643,125	$ 77,387	12.0 %	$ 2,093,510	$ 1,850,203	$ 243,307	13.2 %
Supplies and companion animals	575,259	635,278	(60,019)	(9.4 %)	1,775,149	1,957,022	(181,873)	(9.3 %)
Services and other	205,449	164,861	40,588	24.6 %	589,349	485,567	103,782	21.4 %
Net sales	$ 1,501,220	$ 1,443,264	$ 57,956	4.0 %	$ 4,458,008	$ 4,292,792	$ 165,216	3.8 %

Net sales increased $58.0 million, or 4.0%, to $1.50 billion in the thirteen weeks ended October 29, 2022 compared to net sales of $1.44 billion in the thirteen weeks ended October 30, 2021, driven by a 4.1% increase in our comparable sales. Net sales increased $165.2 million, or 3.8%, to $4.46 billion in the thirty-nine weeks ended October 29, 2022 compared to net sales of $4.29 billion in the thirty-nine weeks ended October 30, 2021, driven by a 4.3% increase in our comparable sales. Our sales growth period-over-period was driven by our strong execution and differentiated model across digital and in our pet care centers and continued growth in our active customer base. Our total sales mix remains strong, led by continued momentum in consumables and services, whose customers shop more frequently and have among our highest long-term value. This growth is slightly offset by a decrease in supplies and companion animals sales driven by softening in discretionary spend associated with the current inflationary macroeconomic environment and the lapping of a stimulus-driven prior year. We have made certain pricing actions to partially offset cost increases during the thirty-nine weeks ended October 29, 2022.

The increase in consumables sales between the periods was driven in part by the increase in new pets, our strategic investments in customer acquisition and retention, continued expansion of our product assortment and a mix shift to more premium consumables, including fresh and frozen food. The decrease in supplies and companion animals sales is due in part to a strong stimulus driven thirty-nine week period ended October 30, 2021 and a decrease in spending on certain non-essential items. The increase in services and other was due in part to the increase in new pets, growth in our membership offerings like Vital Care, and growth in our grooming services and veterinary hospital business in which we now operate over 225 veterinary hospitals – an increase of over 55 since October 30, 2021.

For the thirteen and thirty-nine weeks ended October 29, 2022, pet care center merchandise delivered growth of 1.0% and 1.1%, respectively, led by strong growth in consumables. E-commerce and digital sales increased 9.9% and 10.1% during the thirteen and thirty-nine weeks ended October 29, 2022, respectively, driven by strength in our online initiatives such as repeat delivery, buy online pick up in-store (“BOPUS”), ship from store, and same day delivery as well as an increase in average basket. Services sales, which include veterinary hospitals, increased 14.4% and 15.4% during the thirteen and thirty-nine weeks ended October 29, 2022, respectively, reflecting expansion of our veterinary hospital footprint and strong growth in veterinary and grooming customers.

Gross Profit

Gross profit increased $3.0 million, or 0.5%, to $597.7 million in the thirteen weeks ended October 29, 2022 compared to gross profit of $594.7 million for the thirteen weeks ended October 30, 2021. As a percentage of sales, our gross profit rate was 39.8% for the thirteen weeks ended October 29, 2022 compared with 41.2% for the thirteen weeks ended October 30, 2021. Gross profit increased $8.7 million, or 0.5%, to $1,799.8 million in the thirty-nine weeks ended October 29, 2022 compared to gross profit of $1,791.1 million for the thirty-nine weeks ended October 30, 2021. As a percentage of sales, our gross profit rate was 40.4% for the thirty-nine weeks ended October 29, 2022 compared with 41.7% for the thirty-nine weeks ended October 30, 2021. The decrease in gross profit rate between the periods was primarily due to the mix impact of strong consumables sales and lower supplies and companion animal sales during the thirteen and thirty-nine weeks ended October 29, 2022. Sales channel impacts driven by strength in our digital and services business, moderate increases in distribution costs, and one-time integration costs relating to the purchase of the remaining stake in our veterinary joint venture also contributed to the decrease in gross profit rate during the thirteen and thirty-nine weeks ended October 29, 2022 as compared to the prior year periods.

Selling, General and Administrative ("SG&A") Expenses

SG&A expenses increased $16.9 million, or 3.2%, to $549.6 million for the thirteen weeks ended October 29, 2022 compared to $532.8 million for the thirteen weeks ended October 30, 2021. As a percentage of net sales, SG&A expenses were 36.6% for the thirteen weeks ended October 29, 2022 compared with 36.9% for the thirteen weeks ended October 30, 2021. The increase in SG&A expenses period-over-period was to support our growth as we continue to invest in infrastructure and our people, along with higher variable costs on increased sales.

SG&A expenses increased $43.9 million, or 2.7%, to $1,651.8 million for the thirty-nine weeks ended October 29, 2022 compared to $1,607.9 million for the thirty-nine weeks ended October 30, 2021. As a percentage of net sales, SG&A expenses were 37.1% for the thirty-nine weeks ended October 29, 2022 compared with 37.5% for the thirty-nine weeks ended October 30, 2021, reflecting operating leverage from net sales growth. The increase in SG&A expenses period-over-period was to support our growth as we continue to invest in infrastructure and our people and was partially offset by a decrease in advertising expenses, primarily due to investments that were made during the thirty-nine week period ended October 30, 2021 for our rebranding campaign, inclusive of a TV launch and associated advertisements.

Interest Expense

Interest expense increased $8.5 million, or 45.5%, to $27.3 million in the thirteen weeks ended October 29, 2022 compared with $18.8 million in the thirteen weeks ended October 30, 2021. Interest expense increased $10.3 million, or 17.5%, to $68.8 million in the thirty-nine weeks ended October 29, 2022 compared with $58.5 million in the thirty-nine weeks ended October 30, 2021. The increase was primarily driven by higher interest rates on the First Lien Term Loan. For more information on these obligations, refer to Note 3, "Senior Secured Credit Facilities," to the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

Loss on Extinguishment and Modification of Debt

Loss on extinguishment and modification of debt was $20.8 million for the thirty-nine weeks ended October 30, 2021. This loss was recognized in conjunction with the March 2021 refinancing of the Amended Term Loan Facility and Amended Revolving Credit Facility. There was no loss on debt extinguishment and modification for the thirteen weeks ended October 30, 2021 or the thirteen and thirty-nine weeks ended October 29, 2022. For more information regarding these activities, refer to Note 3, "*Senior Secured Credit Facilities*," to the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

Other Non-Operating (Income) Loss

Other non-operating income was $0.6 million for the thirteen weeks ended October 29, 2022, and other non-operating loss was $9.4 million for the thirty-nine weeks ended October 29, 2022. Other non-operating income was $19.8 million and $64.9 million for the thirteen and thirty-nine weeks ended October 30, 2021, respectively. These losses and gains relate to non-cash remeasurements of the fair value of our investment in Rover Group, Inc. For more information regarding this activity, refer to Note 4, *"Fair Value Measurements,"* to the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

Income Tax Expense

Our effective tax rates were 17.3% and 26.4%, resulting in income tax expense of $4.2 million and $20.8 million for the thirteen and thirty-nine weeks ended October 29, 2022, respectively, compared to effective tax rates of 21.1% and 24.4%, resulting in income tax expense of $14.1 million and $43.8 million for the thirteen and thirty-nine weeks ended October 30, 2021, respectively. The decrease in effective tax rate for the thirteen weeks ended October 29, 2022 is primarily driven by an increase in federal tax credits. The increase in effective tax rate for the thirty-nine weeks ended October 29, 2022 is primarily driven by a decrease in earnings in the thirty-nine weeks ended October 29, 2022 and the recognition of professional fees and other transaction costs incurred by the Company in connection with its initial public offering during the thirteen and thirty-nine weeks ended October 30, 2021.

Reconciliation of Non-GAAP Financial Measures to GAAP Measures

The following information provides definitions and reconciliations of certain non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP. Such non-GAAP financial measures are not calculated in accordance with GAAP and should not be considered superior to, as a substitute for or alternative to, and should be considered in conjunction with, the most comparable GAAP measures. The non-GAAP financial measures presented may differ from similarly-titled measures used by other companies.

Adjusted EBITDA

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.

Adjusted EBITDA is not a substitute for net income (loss), 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. Refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Reconciliation of Non-GAAP Financial Measures to GAAP Measures" included in the 2021 Form 10-K for more information regarding how we define Adjusted EBITDA.

The table below reflects the calculation of Adjusted EBITDA and Adjusted EBITDA Margin for the periods presented:

(dollars in thousands)	Thirteen weeks ended October 29, 2022	Thirteen weeks ended October 30, 2021	Thirty-nine weeks ended October 29, 2022	Thirty-nine weeks ended October 30, 2021
Net income attributable to Class A and B-1 common stockholders	$ 19,920	$ 52,752	$ 58,069	$ 135,423
Interest expense, net	27,177	18,751	68,474	58,451
Income tax expense	4,161	14,095	20,799	43,784
Depreciation and amortization	48,029	42,792	143,599	125,637
Income from equity method investees	(2,627)	(2,637)	(7,821)	(7,490)
Loss on debt extinguishment and modification	—	—	—	20,838
Asset impairments and write offs	930	3,228	2,299	5,918
Equity-based compensation	15,775	13,381	40,892	36,491
Other non-operating (income) loss	(576)	(19,773)	9,369	(64,934)
Mexico joint venture EBITDA (1)	7,040	6,661	20,319	18,523
Store pre-opening expenses	3,931	4,222	11,093	11,739
Store closing expenses	1,310	1,264	4,051	3,329
Non-cash occupancy-related costs (2)	2,496	1,540	6,976	5,564
Acquisition-related integration costs (3)	1,592	—	14,687	—
Other costs (4)	8,397	2,233	19,255	26,055
Adjusted EBITDA	$ 137,555	$ 138,509	$ 412,061	$ 419,328
Net sales	$ 1,501,220	$ 1,443,264	$ 4,458,008	$ 4,292,792
Net margin (5)	1.3 %	3.7 %	1.3 %	3.2 %
Adjusted EBITDA Margin (5)	9.2 %	9.6 %	9.2 %	9.8 %

(1) Mexico joint venture EBITDA represents 50% of the entity's operating results for the periods presented, 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)	Thirteen weeks ended October 29, 2022	Thirteen weeks ended October 30, 2021	Thirty-nine weeks ended October 29, 2022	Thirty-nine weeks ended October 30, 2021
Net income	$ 5,251	$ 5,274	$ 14,448	$ 14,987
Depreciation	4,861	3,660	13,866	10,461
Income tax expense	2,957	3,277	8,344	8,688
Foreign currency gain	(395)	(60)	(15)	(547)
Interest expense, net	1,406	1,171	3,994	3,457
EBITDA	$ 14,080	$ 13,322	$ 40,637	$ 37,046
50% of EBITDA	$ 7,040	$ 6,661	$ 20,319	$ 18,523

(2) Non-cash occupancy-related costs include the difference between cash and straight-line rent for all periods.

(3) Acquisition-related 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. For the thirteen weeks ended October 29, 2022, approximately $1.0 million of integration costs were recorded in cost of sales and $0.6 million of integration costs were recorded in selling, general and administrative expenses relating to the purchase of the remaining stake in our veterinary joint venture. For the thirty-nine weeks ended October 29, 2022, approximately $7.7 million of integration costs were recorded in cost of sales and $7.0 million of integration costs were recorded in selling, general and administrative expenses relating to the purchase of the remaining stake in our veterinary joint venture.

(4) Other costs include: severance; legal reserves and related fees; one-time consulting and other costs associated with our strategic transformation initiatives; discontinuation and liquidation costs; and costs related to our initial public offering and refinancing.

(5) 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.

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 our ability to generate additional cash from our business operations, is an important financial measure for use in evaluating the Company's financial performance.

The table below reflects the calculation of Free Cash Flow for the periods presented:

	Thirty-nine weeks ended	
(dollars in thousands)	October 29, 2022	October 30, 2021
Net cash provided by operating activities	$ 209,463	$ 288,444
Cash paid for fixed assets	(212,074)	(164,330)
Free Cash Flow	$ (2,611)	$ 124,114

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are funds generated by operating activities and available capacity for borrowings on our $500 million secured asset-based revolving credit facility maturing March 4, 2026 (the "ABL 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. Our liquidity as of October 29, 2022 was $592.6 million, inclusive of cash and cash equivalents of $148.7 million and $443.9 million of availability on the ABL Revolving Credit Facility.

We are a party to contractual obligations involving commitments to make payments to third parties. These obligations impact our short-term and long-term liquidity and capital resource needs. We believe that our current resources, together with anticipated cash flows from operations and borrowing capacity under the ABL Revolving Credit Facility will be sufficient to finance our operations, meet our current cash requirements, and fund anticipated capital investments for at least 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:

	Thirty-nine weeks ended	
(dollars in thousands)	October 29, 2022	October 30, 2021
Total cash provided by (used in):		
Operating activities	$ 209,463	$ 288,444
Investing activities	(252,697)	(167,770)
Financing activities	(27,033)	(14,863)
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (70,267)	$ 105,811

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 income 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; other non-operating loss (income); and the effect of changes in operating assets and liabilities.

Net cash provided by operating activities was $209.5 million in the thirty-nine weeks ended October 29, 2022 compared with net cash provided by operating activities of $288.4 million in the thirty-nine weeks ended October 30, 2021. The decrease in operating cash flow was due to lower operating income, an increase in cash paid for inventory, higher payroll and fringe benefits including payouts of prior year accrued incentive bonuses. This was partially offset by timing differences in accounts payable as well as lower cash payments on operating leases due to the timing of rent payments.

Investing Activities

Cash used in investing activities consists of capital expenditures, which in the thirty-nine weeks ended October 29, 2022 and the thirty-nine weeks ended October 30, 2021 primarily supported our transformation initiatives. Net cash used in investing activities was $252.7 million and $167.8 million for the thirty-nine weeks ended October 29, 2022 and October 30, 2021, respectively. The increase in capital expenditures between the periods was predominantly due to the expansion of our veterinary hospitals, investments in digital assets and innovation in response to our sales growth. In addition, in May 2022, we completed the purchase of the remaining 50% stake in our veterinary joint venture for $35.0 million, which is now a wholly owned subsidiary.

Financing Activities

Net cash used in financing activities was $27.0 million for the thirty-nine weeks ended October 29, 2022, compared with $14.9 million used in financing activities in the thirty-nine weeks ended October 30, 2021.

Financing cash flows in the thirty-nine weeks ended October 29, 2022 primarily consisted of borrowings and repayments under the ABL Revolving Credit Facility, quarterly term loan repayments, and payments for tax withholdings on stock-based awards.

Financing cash flows in the thirty-nine weeks ended October 30, 2021 primarily consisted of borrowings and repayments of debt in connection with the March 4, 2021 debt refinancing transaction discussed under "Sources of Liquidity" below. For more information regarding these activities, refer to Note 3 "*Senior Secured Credit Facilities*," to the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

Sources of Liquidity

On March 4, 2021, the Company completed a refinancing transaction by repaying the Amended Term Loan Facility and entering into a new $1,700 million secured term loan facility maturing on March 4, 2028 (the "First Lien Term Loan") and the ABL Revolving Credit Facility, which matures on March 4, 2026 and has availability of up to $500.0 million, subject to a borrowing base. Interest under the First Lien Term Loan is based on, at the Company's option, either a base rate or Adjusted LIBOR, subject to a 0.75% floor, payable upon maturity of the LIBOR contract, in either case plus the applicable rate. The base rate is the greater of the bank prime rate, federal funds effective rate plus 0.5% or Adjusted LIBOR plus 1.0%. The applicable rate is 2.25% per annum for a base rate loan or 3.25% per annum for an Adjusted LIBOR loan. Principal payments are $4.25 million quarterly and commenced on June 30, 2021. The terms under the ABL Revolving Credit Facility are substantially similar to those of the Amended Revolving Credit Facility.

In November 2022, the Company entered into a series of interest rate cap agreements to limit the maximum interest on a portion of the Company's variable-rate debt and decrease its exposure to interest rate variability when the three-month Secured Overnight Financing Rate as published by CME Group exceeds 4.5%. The interest rate caps are forward-starting with an effective date of December 30, 2022 and expire on December 31, 2024.

For more information regarding this indebtedness, refer to Note 3, "*Senior Secured Credit Facilities*," to the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in conformity with accounting principles generally accepted in the United States ("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.

There have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in the 2021 Form 10-K.

Recent Accounting Pronouncements

Refer to Note 1, "*Summary of Significant Accounting Policies*," to the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q for information regarding recently issued accounting pronouncements.

Item 3. 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 First Lien Term Loan and the ABL Revolving Credit Facility. As of October 29, 2022, we had $1,674.5 million outstanding under the First Lien Term Loan and no amounts outstanding under the ABL Revolving Credit Facility. The First Lien Term Loan and the ABL Revolving Credit Facility each bear interest at variable rates. An increase of 100 basis points in the variable rates on the First Lien Term Loan and the ABL Revolving Credit Facility as of October 29, 2022 would have increased annual cash interest in the aggregate by approximately $17.0 million. In November 2022, we entered into a series of interest rate cap agreements to limit the maximum interest on a portion of our variable-rate debt and decrease our exposure to interest rate variability when the three-month Secured Overnight Financing Rate as published by CME Group exceeds 4.5%. The interest rate caps are forward-starting with an effective date of December 30, 2022 and expire on December 31, 2024.

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 October 29, 2022, 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.

Item 4. Controls and Procedures.

Management's Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the

“Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required financial disclosure.

As of the end of the period covered by this Form 10-Q, our management, under the supervision and with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(e) and 15d-15(e). Based upon this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of October 29, 2022.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the quarter ended October 29, 2022, which has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Management does not expect, however, that our disclosure controls and procedures will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based on certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

See Note 6, "*Commitments and Contingencies*," to the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q for a description of legal proceedings, which is incorporated herein by reference.

Item 1A. Risk Factors.

Reference is made to Part I, Item 1A, "*Risk Factors*" included in the 2021 Form 10-K for information concerning risk factors. There have been no material changes with respect to the risk factors disclosed in the 2021 Form 10-K. You should carefully consider such factors, which could materially and adversely affect our business, financial condition and/or results of operations. The risks described in the 2021 Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition and/or results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The following is a list of exhibits filed as part of this Quarterly Report on Form 10-Q:

Exhibit Number	Description
10.1†	Petco Health and Wellness Company, Inc. Executive Severance Plan and Form of Participation Agreement (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, filed on September 30, 2022)
10.2†	Separation Agreement and General Release of Claims among Petco Animal Supplies Stores, Inc., Michael Nuzzo, and Scooby LP dated August 30, 2022
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

† Management contract or compensatory plan or arrangement.

* Furnished herewith and not deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Petco Health and Wellness Company, Inc.

Date: December 8, 2022	By:	/s/ Brian LaRose
		Brian LaRose
		Chief Financial Officer
		(Principal Financial and Accounting Officer)

Exhibit 10.2

SEPARATION AGREEMENT
AND GENERAL RELEASE OF CLAIMS

This SEPARATION AGREEMENT AND GENERAL RELEASE OF CLAIMS (this "Agreement") is entered into by and between Petco Animal Supplies Stores, Inc. (the "Company"), Michael Nuzzo ("Executive") and solely for purposes of Sections 2 and 7, Scooby LP ("Scooby"). Executive, the Company and Scooby are each referred to herein as a "Party" and collectively as the "Parties."

WHEREAS, Executive's employment with the Company terminated effective as of August 13, 2022 (the "Separation Date");

WHEREAS, Executive was granted the Common Series C Units in Scooby set forth on Exhibit A hereto (the "Units") pursuant to those Common Series C Unit Award Agreements between Executive and Scooby (collectively, the "Award Agreements"), which are vested and unvested as of the Separation Date as set forth on Exhibit A;

WHEREAS, Executive and the Company are parties to that certain Employment Agreement dated April 8, 2015, as amended by that certain Amendment to Employment Agreement dated January 26, 2016 (collectively, the "Employment Agreement");

WHEREAS, the Company and Scooby wish to provide Executive with certain separation benefits, which are conditioned upon Executive's execution, delivery and non-revocation of this Agreement; and

WHEREAS, the Parties wish to resolve any and all claims that Executive has or may have against the Company, Scooby and the other Company Parties (as defined below), including any claims that Executive has or may have arising from or relating to Executive's employment, or the end of Executive's employment, with any Company Party.

NOW, THEREFORE, in consideration of the promises set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Executive and the Company, the Parties hereby agree as follows:

1.Separation from Employment.

(a) Executive's employment with the Company terminated effective as of the Separation Date. As of the Separation Date, Executive will no longer be employed by the Company or any other Company Party, and Executive will be deemed to have automatically resigned (i) as an officer of the Company and its affiliates (as applicable) and (ii) from the board of managers, board of directors or similar governing body of each of the Company and its affiliates (as applicable) and any other corporation, limited liability company, trade organization, or other entity in which the Company or any of its affiliates holds an equity interest or with respect to which board or similar governing body Executive serves as the designee or other representative of the Company or any of its affiliates. For the avoidance of doubt, as of the Separation Date, Executive shall no longer represent the Company in any manner and shall not hold himself out as a representative of the Company.

(b) Executive acknowledges and agrees that Executive has been paid in full all bonuses, been provided all benefits, and otherwise received all wages, compensation and other sums that Executive has been owed by each Company Party. Executive further acknowledges and agrees that Executive has received all leaves (paid and unpaid) that Executive has been entitled to receive from each Company Party.

2.Separation Payments and Benefits. Provided that Executive: (x) executes this Agreement on the Separation Date or by August 30, 2022 (which is at least 21 days following the date this Agreement was provided to Executive) and returns a copy of this Agreement that has been executed by Executive to the Company so that it is received by Ilene Eskenazi, Chief Legal and Human Resources Officer and Corporate Secretary, 10850 Via Frontera, San Diego, California 92127 (email: Ilene.Eskenazi@petco.com) no later than 5:00 pm PT on August 30, 2022; (y) does not revoke Executive's acceptance of this Agreement pursuant to Section 9; and (z) remains in compliance with the other terms and conditions set forth in this Agreement (including under Sections 5 and 6), Executive shall be provided with the following separation payments and benefits:

(a) The Company shall pay to Executive a lump sum cash payment of $1,318,015 (the "Severance Payment"), representing (i) 18 months of Executive's base salary, (ii) a payment to cover 18 months of group health plan continuation premiums, and (iii) 50% of the target annual incentive bonus for fiscal year 2022, payable within 30 days following the expiration of the Release Revocation Period (as defined below);

(b) The Units designated on Exhibit A to be accelerated shall become fully vested effective as of the Separation Date upon the expiration of the Release Revocation Period, and for the avoidance of doubt, all of the Units (including the Units that vest hereunder) shall otherwise remain subject to the terms of the Award Agreements in all respects; and

(c) Scooby hereby waives its right to call the Units and Executive's Common Series B Units in Scooby under Section 9.2 of the Third Amended and Restated Agreement of Limited Partnership of Scooby dated as of January 19, 2021 and any right Scooby may have to call the Units under the Award Agreements.

Executive acknowledges and agrees that the consideration referenced in this Section 2 represents the entirety of the amounts Executive is eligible to receive as severance pay and benefits from the Company or any other Company Party. Executive further acknowledges that as of the Separation Date, (i) Executive will automatically forfeit all unvested restricted stock units and stock options granted under the Petco Health and Wellness Company, Inc. 2021 Equity Incentive Plan, and such awards shall terminate automatically and without any further action by the Company and at no cost to the Company, and (ii) all Units which remain unvested after giving effect to Section 2(b) shall be forfeited upon the Separation Date for no consideration, and Executive shall have no rights with respect thereto.

3.Release of Liability for Claims.

(a) For good and valuable consideration, including the consideration set forth in Section 2 (and any portion thereof), Executive knowingly and voluntarily (for Executive, Executive's family, and Executive's heirs, executors, administrators and assigns) hereby releases and forever discharges the Company, Scooby, Petco Health and Wellness Company, Inc. (collectively, the "Petco Affiliated Entities") and their respective affiliates, predecessors, successors, subsidiaries and benefit plans, and the foregoing entities' respective equity-holders, officers, directors, managers, members, partners, Executives, agents, representatives, and other affiliated persons, and the Company's and its affiliates' benefit plans (and the fiduciaries and trustees of such plans) (collectively, the "Company Parties"), from liability for, and Executive hereby waives, any and all claims, damages, or causes of action of any kind related to Executive's ownership of any interest in any Company Party, Executive's employment with any Company Party, the termination of such employment, and any other acts or omissions related to any matter occurring on or prior to the date that Executive executes this Agreement, including (i) any alleged violation through such time of: (A) any federal, state or local anti-discrimination, anti-harassment or anti-retaliation law, regulation or ordinance, including the Age Discrimination in Employment Act of 1967 (including as amended by the Older Workers Benefit Protection Act), Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, Sections 1981 through 1988 of Title 42 of the United States Code and the Americans with Disabilities

Act of 1990, as amended; (B) the Employee Retirement Income Security Act of 1974 ("ERISA"); (C) the Immigration Reform Control Act; (D) the National Labor Relations Act; (E) the Occupational Safety and Health Act; (F) the Family and Medical Leave Act of 1993; (G) California's Fair Employment and Housing Act, the California Pregnancy Disability Leave law, the California Family Rights Act, the Healthy Workplace Healthy Family Act of 2014, the California Labor Code, the Private Attorneys' General Act (Labor Code§ 2698 et seq.), any Wage Orders issued by the California Industrial Welfare Commission and the California Business and Professionals Code; (H) any federal, state or local wage and hour law; (I) any other local, state or federal law, regulation or ordinance; or (J) any public policy, contract, tort, or common law claim; (ii) any allegation for costs, fees, or other expenses including attorneys' fees incurred in or with respect to a Released Claim; (iii) any and all rights, benefits or claims Executive may have under any employment contract, incentive compensation plan or equity-based plan with any Company Party or to any ownership interest in any Company Party (including the Employment Agreement); and (iv) any claim for compensation or benefits of any kind not expressly set forth in this Agreement (collectively, the "Released Claims"). This Agreement is not intended to indicate that any such claims exist or that, if they do exist, they are meritorious. Rather, Executive is simply agreeing that, in exchange for any consideration received by Executive pursuant to Section 2, any and all potential claims of this nature that Executive may have against the Company Parties, regardless of whether they actually exist, are expressly settled, compromised and waived. **THIS RELEASE INCLUDES MATTERS ATTRIBUTABLE TO THE SOLE OR PARTIAL NEGLIGENCE (WHETHER GROSS OR SIMPLE) OR OTHER FAULT, INCLUDING STRICT LIABILITY, OF ANY OF THE COMPANY PARTIES.**

(b) Section 1542 of the Civil Code of the State of California ("Section 1542") provides:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Executive waives all rights under Section 1542 or any other law or statute of similar effect in any jurisdiction with respect to the Released Claims. Executive acknowledges that Executive understands the significance and specifically assumes the risk regarding the consequences of such release and such specific waiver of Section 1542.

(c) For the avoidance of doubt, nothing in this Agreement releases Executive's rights to receive payments or benefits pursuant to Section 2. Further, in no event shall the Released Claims include (i) any claim that arises after the date that Executive signs this Agreement; (ii) any claim to vested benefits under an employee benefit plan that is subject to ERISA; and (iii) any claim for breach of, or otherwise arising out of, this Agreement. Further notwithstanding this release of liability, nothing in this Agreement prevents Executive from filing any non-legally waivable claim (including a challenge to the validity of this Agreement) with the Equal Employment Opportunity Commission ("EEOC") or comparable state or local agency or participating in (or cooperating with) any investigation or proceeding conducted by the EEOC or comparable state or local agency or cooperating in any such investigation or proceeding; however, Executive understands and agrees that Executive is waiving any and all rights to recover any monetary or personal relief from a Company Party as a result of such EEOC or comparable state or local agency or proceeding or subsequent legal actions. Further, nothing in this Agreement prohibits or restricts Executive from filing a charge or complaint with, or cooperating in any investigation with, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, or any other governmental agency, entity or authority (each, a "Government Agency"). This Agreement does not limit Executive's right to receive an award for information provided to a Government Agency.

4.Representations and Warranties Regarding Claims. Executive represents and warrants that, as of the time at which Executive signs this Agreement, Executive has not filed or joined any claims, complaints, charges, or lawsuits against any of the Company Parties with any governmental agency or with any state or federal court or arbitrator for, or with respect to, a matter, claim, or incident that occurred or arose out of one or more occurrences that took place on or prior to the time at which Executive signs this Agreement, and Executive is not aware of any violation of any law, rule or regulation or any other misconduct by the Company or any of its officers or employees. Executive further represents and warrants that Executive has not made any assignment, sale, delivery, transfer or conveyance of any rights Executive has asserted or may have against any of the Company Parties with respect to any Released Claim.

5.Covenants.

(a) Executive acknowledges and agrees that Executive has continuing obligations to the Company and its affiliates pursuant to that certain Confidentiality and Inventions Agreement, including obligations relating to confidentiality and intellectual property (collectively, the "Covenants"). In entering into this Agreement, Executive acknowledges the continued effectiveness and enforceability of the Covenants, and Executive expressly reaffirms Executive's commitment to abide by, and agrees that he will abide by, the terms of the Covenants. Nothing herein shall prevent Executive from discussing or disclosing information regarding unlawful acts in the workplace, such as harassment, discrimination or any other conduct that Executive has reason to believe is unlawful.

(b) Executive shall refrain from publishing any oral or written statements about the Company and any Company Party that (i) are slanderous, libelous, disparaging or defamatory, (ii) disclose confidential information of or regarding any Company Party's business affairs, directors, officers, managers, members, employees, consultants, agents or representatives, or (iii) place the Company, any Company Party or any of their respective directors, officers, managers, members, employees, consultants, agents or representatives in a false light before the public. The Company agrees to direct its current executive officers to refrain from publishing any oral or written statements about Executive that are slanderous, libelous, disparaging or defamatory or that place Executive in a false light before the public.

(c) Executive acknowledges that Executive's employment with the Company created a relationship of confidence and trust between the Company and Executive with respect to Confidential Information (as defined in the Covenants), and Executive had access to such Confidential Information during such employment. Because of the Company's legitimate business interests with respect to such Confidential Information and the consideration offered to Executive herein, during the one-year period following the Separation Date, Executive shall not, directly or indirectly, solicit or recruit any person who is an employee of the Company or other Petco Affiliated Entity or otherwise induce any such person to terminate their employment with the Company or other Petco Affiliated Entity; provided, however, that the foregoing provision shall not prohibit solicitations made by Executive to the general public, including through a general public posting site or forum.

6.Covenant to Cooperate in Legal Proceedings. Executive agrees to fully cooperate with the Petco Affiliated Entities and provide truthful information in any internal investigation, any administrative, regulatory, or judicial proceeding or any dispute with a third party. Executive understands and agrees that Executive's cooperation may include making Executive available to the Petco Affiliated Entities upon reasonable notice for interviews and factual investigations; appearing at the Petco Affiliated Entities' request to give testimony without requiring service of a subpoena or other legal process; volunteering to the Petco Affiliated Entities pertinent information received by Executive in Executive's capacity as an employee; and turning over to the Petco Affiliated Entities all relevant documents which are or may come into Executive's possession in Executive's capacity an employee or otherwise, all at times and on schedules that are reasonably consistent with Executive's other permitted activities and commitments. The Company will reimburse all reasonable and necessary expenses, including attorneys' fees, incurred by Executive in providing any such cooperation.

7.Consequences of Breach; Subsequent Discovery of Cause. Executive acknowledges and agrees that in the event of Executive's material breach of this Agreement, including Section 6, or a determination by the Board of Directors of the Company that grounds for a for Cause (as defined in the Employment Agreement) termination existed as of the Separation Date, (a) the Company shall not be required to pay the Severance Payment, less $100, (b) Executive shall be required to repay to the Company the Severance Payment, less $100, if previously paid to Executive, and (c) the Units which became vested in accordance with Section 2(b) shall be forfeited for no consideration.

8.Executive's Acknowledgements. By executing and delivering this Agreement, Executive expressly acknowledges that:

(a) Executive has been given at least 21 days to review and consider this Agreement. If Executive signs this Agreement before the expiration of 21 days after Executive's receipt of this Agreement, Executive has knowingly and voluntarily waived any longer consideration period than the one provided to Executive and such earlier signature was not induced by the Company through fraud, misrepresentation or a threat to withdraw or alter this Agreement prior to the expiration of such 21-day period. No changes (whether material or immaterial) to this Agreement shall restart the running of this 21 day period.

(b) Executive is receiving, pursuant to this Agreement, consideration in addition to anything of value to which Executive is already entitled;

(c) Executive has been advised, and hereby is advised in writing, to discuss this Agreement with an attorney of Executive's choice and that Executive has had an adequate opportunity to do so prior to executing this Agreement;

(d) Executive fully understands the final and binding effect of this Agreement; the only promises made to Executive to sign this Agreement are those stated herein; Executive is signing this Agreement knowingly, voluntarily and of Executive's own free will with the full intent of releasing the Company Parties of all claims; Executive acknowledges and agrees that Executive has carefully read this Agreement; and that Executive understands and agrees to each of the terms of this Agreement;

(e) The only matters relied upon by Executive in causing Executive to sign this Agreement are the provisions set forth in writing within the four corners of this Agreement; and

(f) No Company Party has provided any tax or legal advice regarding this Agreement, and Executive has had an adequate opportunity to receive sufficient tax and legal advice from advisors of Executive's own choosing such that Executive enters into this Agreement with full understanding of the tax and legal implications thereof.

9.Revocation Right. Notwithstanding the initial effectiveness of this Agreement, Executive may revoke the delivery (and therefore the effectiveness) of this Agreement within the seven-day period beginning on the date Executive executes this Agreement (such seven-day period being referred to herein as the "Release Revocation Period"). To be effective, such revocation must be in writing signed by Executive and must be delivered personally or by courier to the Company so that it is received by Ilene Eskenazi, Chief Legal and Human Resources Officer and Corporate Secretary, 10850 Via Frontera, San Diego, California 92127 (email: Ilene.Eskenazi@petco.com) no later than 11:59 pm PT on the last day of the Release Revocation Period. If an effective revocation is delivered in the foregoing manner and timeframe, the release of claims set forth in Section 3 will be of no force or effect, Executive will not receive the payments or benefits set forth in Section 2, and the remainder of this Agreement will remain in full force and effect.

10.Governing Law. This Agreement and its performance will be construed and interpreted in accordance with the laws of the State of California, without regard to principles of conflicts of law that would apply the substantive law of any other jurisdiction.

11.Counterparts. This Agreement may be executed in several counterparts, including by .PDF or .GIF attachment to email or by facsimile, each of which is deemed to be an original, and all of which taken together constitute one and the same agreement.

12.Amendment; Entire Agreement. This Agreement may not be changed orally but only by an agreement in writing agreed to and signed by the Party to be charged. This Agreement, the Award Agreements and the Covenants constitute the entire agreement of the Parties with regard to the subject matter hereof and supersede all prior and contemporaneous agreements and understandings, oral or written, between Executive and any Company Party with regard to the subject matter hereof.

13.Third-Party Beneficiaries. Executive expressly acknowledges and agrees that each Petco Affiliated Entity that is not a party to this Agreement shall be a third-party beneficiary of Sections 3, 5, 6 and 15 and entitled to enforce such provisions as if it were a party hereto.

14.Further Assurances. Executive shall, and shall cause Executive's affiliates, representatives and agents to, from time to time at the request of the Company and without any additional consideration, furnish the Company with such further information or assurances, execute and deliver such additional documents, instruments and conveyances, and take such other actions and do such other things, as may be reasonably necessary or desirable, as determined in the sole discretion of the Company, to carry out the provisions of this Agreement.

15.Return of Property. Executive represents and warrants that Executive has returned to the Company all property belonging to the Company or any other Company Party, including all computer files, electronically stored information, computers and other materials and items provided to Executive by the Company or any other Company Party in the course of Executive's employment and Executive further represents and warrants that Executive has not maintained a copy of any such materials or items in any form.

16.Severability. Any term or provision of this Agreement (or part thereof) that renders such term or provision (or part thereof) or any other term or provision (or part thereof) hereof invalid or unenforceable in any respect shall be severable and shall be modified or severed to the extent necessary to avoid rendering such term or provision (or part thereof) invalid or unenforceable, and such modification or severance shall be accomplished in the manner that most nearly preserves the benefit of the Parties' bargain hereunder.

17.Interpretation. The Section headings have been inserted for purposes of convenience and shall not be used for interpretive purposes. The words "hereof," "herein" and "hereunder" and other compounds of the word "here" shall refer to the entire Agreement and not to any particular provision hereof. The use herein of the word "including" following any general statement, term or matter shall not be construed to limit such statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as "without limitation", "but not limited to", or words of similar import) is used with reference thereto, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter. The word "or" as used herein is not exclusive and is deemed to have the meaning "and/or." Unless the context requires otherwise, all references herein to a law, agreement, instrument or other document shall be deemed to refer to such law, agreement, instrument or other document as amended, supplemented, modified and restated from time to time to the extent permitted by the provisions thereof. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed against any Party, whether under any rule of construction or otherwise. This Agreement has been reviewed by each of the Parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the Parties.

18.No Assignment. No right to receive payments and benefits under this Agreement shall be subject to set off, offset, anticipation, commutation, alienation, assignment, encumbrance, charge, pledge or hypothecation or to execution, attachment, levy, or similar process or assignment by operation of law.

19.Withholdings; Deductions. The Company may withhold and deduct from any payments or benefits made or to be made pursuant to this Agreement (a) all federal, state, local and other taxes as may be required pursuant to any law or governmental regulation or ruling and (b) any deductions consented to in writing by Executive.

20.Section 409A. This Agreement and the benefits provided hereunder are intended be exempt from, or compliant with, the requirements of Section 409A of the Internal Revenue Code of 1986 and the Treasury regulations and other guidance issued thereunder (collectively, "Section 409A") and shall be construed and administered in accordance with such intent. Each installment payment under this Agreement shall be deemed and treated as a separate payment for purposes of Section 409A. Notwithstanding the foregoing, the Company makes no representations that the benefits provided under this Agreement are exempt from the requirements of Section 409A and in no event shall the Company or any other Company Party be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by Executive on account of non-compliance with Section 409A.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the dates set forth beneath their names below, effective for all purposes as provided above.

EXECUTIVE

/s/ Michael Nuzzo
Michael Nuzzo

Date: 8/25/2022

PETCO ANIMAL SUPPLIES STORES, INC.

By: /s/ Ronald Coughlin, Jr.
Name: Ronald Coughlin, Jr.
Title: Chief Executive Officer

Date: 8/30/2022

SCOOBY LP

By: /s/ Cameron Breitner
Name: Cameron Breitner
Title: Authorized Signatory

Date: 8/29/2022

AGREEMENT SHALL NOT BE ENTERED UNTIL ON OR AFTER AUGUST 13, 2022, AS PROVIDED HEREIN.

EXHIBIT A

COMMON SERIES C UNITS

Date of Grant	Distribution Threshold	Vested as of Separation Date	Unvested as of Separation Date	Accelerated under Section 2(b)
1/26/2016	$0.75	5,000,000	0	0
1/26/2016	$0.75	1,161,114	0	0
1/26/2016	$0.50	4,000,000	1,000,000	1,000,000
1/26/2016	$0.50	1,161,114	0	0
9/16/2020	$1.00	600,000	2,400,000	1,472,055

*Executive is fully vested as of Separation Date in 90,000 Common Series "B" Units of Scooby

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Ronald Coughlin, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Petco Health and Wellness Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 8, 2022

By: /s/ Ronald Coughlin, Jr.
Ronald Coughlin, Jr.
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Brian LaRose, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Petco Health and Wellness Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 8, 2022

By: /s/ Brian LaRose

Brian LaRose
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report on Form 10-Q of Petco Health and Wellness Company, Inc. (the "Company") for the quarter ended October 29, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ronald Coughlin, Jr., Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: December 8, 2022

By: /s/ Ronald Coughlin, Jr.
Ronald Coughlin, Jr.
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report on Form 10-Q of Petco Health and Wellness Company, Inc. (the “Company”) for the quarter ended October 29, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Brian LaRose, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: December 8, 2022

By: /s/ Brian LaRose
Brian LaRose
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)