

**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 May 3, 2025**

**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)

**10850 Via Frontera**

**San Diego, California**

(Address of principal executive offices)

**81-1005932**

(I.R.S. Employer  
Identification No.)

**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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 June 4, 2025 was 241,197,065.

The number of shares of the registrant's Class B-1 Common Stock outstanding as of June 4, 2025 was 37,790,781.

The number of shares of the registrant's Class B-2 Common Stock outstanding as of June 4, 2025 was 37,790,781.

## Table of Contents

	<u>Page</u>	
<b>PART I.</b>	<b><u>FINANCIAL INFORMATION</u></b>	2
Item 1.	<u>Financial Statements (Unaudited)</u>	2
	<u>Consolidated Balance Sheets</u>	2
	<u>Consolidated Statements of Operations</u>	3
	<u>Consolidated Statements of Comprehensive Income (Loss)</u>	4
	<u>Consolidated Statements of Stockholders' / Members' Equity</u>	5
	<u>Consolidated Statements of Cash Flows</u>	6
	<u>Notes to Unaudited Consolidated Financial Statements</u>	7
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	22
Item 4.	<u>Controls and Procedures</u>	22
<b>PART II.</b>	<b><u>OTHER INFORMATION</u></b>	24
Item 1.	<u>Legal Proceedings</u>	24
Item 1A.	<u>Risk Factors</u>	24
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	24
Item 3.	<u>Defaults Upon Senior Securities</u>	24
Item 4.	<u>Mine Safety Disclosures</u>	24
Item 5.	<u>Other Information</u>	24
Item 6.	<u>Exhibits</u>	24
	<u>Signatures</u>	

## **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, but not limited to, 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 tariffs, inflationary and interest rate pressures, consumer spending patterns, 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 current expectations and assumptions about future events that may or may not be correct or necessarily take place and that are by their nature subject to significant uncertainties and contingencies, many of which are outside 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, mass and grocery retailers, and e-Commerce providers); (ii) reduced consumer demand for our products and/or services; (iii) our reliance on key vendors; (iv) our ability to attract and retain qualified employees; (v) risks arising from statutory, regulatory, and/or legal developments; (vi) macroeconomic pressures in the markets in which we operate, including inflation, prevailing interest rates, and the impact of tariffs; (vii) failure to effectively manage our costs; (viii) our reliance on our information technology systems; (ix) our ability to prevent or effectively respond to a data privacy or security breach; (x) our ability to effectively manage or integrate strategic ventures, alliances, or acquisitions and realize the anticipated benefits of such transactions; (xi) economic or regulatory developments that might affect our ability to provide attractive promotional financing; (xii) business interruptions and other supply chain issues; (xiii) catastrophic events, political tensions, conflicts and wars (such as the ongoing conflicts in Ukraine and the Middle East), health crises, and pandemics; (xiv) our ability to maintain positive brand perception and recognition; (xv) product safety and quality concerns; (xvi) changes to labor or employment laws or regulations; (xvii) our ability to effectively manage our real estate portfolio; (xviii) constraints in the capital markets or our vendor credit terms; (xix) changes in our credit ratings; (xx) impairments of the carrying value of our goodwill and other intangible assets; (xxi) our ability to successfully implement our operational adjustments, achieve the expected benefits of our cost action plans, and drive improved profitability; and (xxii) the other risks, uncertainties and other factors 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)

	May 3, 2025 (Unaudited)	February 1, 2025
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 133,343	\$ 165,756
Receivables, less allowance for credit losses (\$859 and \$1,594, respectively)	36,079	40,425
Merchandise inventories, net	645,472	653,329
Prepaid expenses	66,973	53,515
Other current assets	38,563	60,594
Total current assets	920,430	973,619
Fixed assets		
Less accumulated depreciation	2,284,663	2,265,915
Fixed assets, net	(1,580,210)	(1,540,477)
Operating lease right-of-use assets	704,453	725,438
Goodwill	1,300,032	1,302,346
Trade name	980,064	980,064
Other long-term assets	1,025,000	1,025,000
Total assets	191,157	187,963
	<u>\$ 5,121,136</u>	<u>\$ 5,194,430</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable and book overdrafts	\$ 473,906	\$ 492,878
Accrued salaries and employee benefits	108,909	157,460
Accrued expenses and other liabilities	190,239	177,079
Current portion of operating lease liabilities	305,051	306,400
Current portion of long-term debt and other lease liabilities	5,372	5,346
Total current liabilities	1,083,477	1,139,163
Senior secured credit facilities, net, excluding current portion	1,579,338	1,578,091
Operating lease liabilities, excluding current portion	1,034,719	1,037,206
Deferred taxes, net	207,709	217,712
Other long-term liabilities	108,563	108,628
Total liabilities	4,013,806	4,080,800
Commitments and contingencies (Notes 4 and 8)		
Stockholders' equity:		
Class A common stock, \$0.001 par value: Authorized - 1.0 billion shares; Issued and outstanding - 240.8 million and 239.1 million shares, respectively	241	239
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	2,288,248	2,280,495
Accumulated deficit	(1,160,720)	(1,149,059)
Accumulated other comprehensive loss	(20,477)	(18,083)
Total stockholders' equity	1,107,330	1,113,630
Total liabilities and stockholders' equity	<u>\$ 5,121,136</u>	<u>\$ 5,194,430</u>

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	
	May 3, 2025	May 4, 2024
Net sales:		
Products	\$ 1,241,891	\$ 1,279,731
Services and other	251,508	249,409
Total net sales	<u>1,493,399</u>	<u>1,529,140</u>
Cost of sales:		
Products	766,285	792,722
Services and other	157,146	157,758
Total cost of sales	<u>923,431</u>	<u>950,480</u>
Gross profit	569,968	578,660
Selling, general and administrative expenses	553,609	595,442
Operating income (loss)	16,359	(16,782)
Interest income	(1,359)	(418)
Interest expense	33,494	36,817
Other non-operating loss	—	2,665
Loss before income taxes and income from equity method investees	(15,776)	(55,846)
Income tax expense (benefit)	495	(4,477)
Income from equity method investees	(4,610)	(4,886)
Net loss attributable to Class A and B-1 common stockholders	<u>\$ (11,661)</u>	<u>\$ (46,483)</u>
Net loss per Class A and B-1 common share:		
Basic	\$ (0.04)	\$ (0.17)
Diluted	\$ (0.04)	\$ (0.17)
Weighted average shares used in computing net loss per Class A and B-1 common share:		
Basic	277,548	269,768
Diluted	277,548	269,768

See accompanying notes to consolidated financial statements.

**PETCO HEALTH AND WELLNESS COMPANY, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(In thousands) (Unaudited)

	<b>Thirteen weeks ended</b>	
	<b>May 3, 2025</b>	<b>May 4, 2024</b>
Net loss attributable to Class A and B-1 common stockholders	\$ (11,661)	\$ (46,483)
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustment	32	1,665
Unrealized (loss) gain on derivatives	(2,267)	6,372
Gains on derivatives reclassified to income	(159)	(850)
Total other comprehensive (loss) income, net of tax	(2,394)	7,187
Comprehensive loss attributable to Class A and B-1 common stockholders	<u>\$ (14,055)</u>	<u>\$ (39,296)</u>

See accompanying notes to consolidated financial statements.

PETCO HEALTH AND WELLNESS COMPANY, INC.

CONSOLIDATED STATEMENTS OF EQUITY  
(In thousands) (Unaudited)

	Common stock				Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Total stockholders' equity
	Class A (shares)	Class B-1 (shares)	Class B-2 (shares)	Amount				
<b>Balance at February 1, 2025</b>	239,066	37,791	37,791	\$ 277	\$ 2,280,495	\$ (1,149,059)	\$ (18,083)	\$ 1,113,630
Equity-based compensation expense (Note 7)	—	—	—	—	9,445	—	—	9,445
Net loss	—	—	—	—	—	(11,661)	—	(11,661)
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	32	32
Unrealized loss on derivatives (Note 5), net of tax	—	—	—	—	—	—	(2,267)	(2,267)
Gains on derivatives reclassified to income (Note 5), net of tax	—	—	—	—	—	—	(159)	(159)
Issuance of common stock, net of tax withholdings	1,765	—	—	2	(1,692)	—	—	(1,690)
<b>Balance at May 3, 2025</b>	<u>240,831</u>	<u>37,791</u>	<u>37,791</u>	<u>\$ 279</u>	<u>\$ 2,288,248</u>	<u>\$ (1,160,720)</u>	<u>\$ (20,477)</u>	<u>\$ 1,107,330</u>

	Common stock				Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive income	Total stockholders' equity
	Class A (shares)	Class B-1 (shares)	Class B-2 (shares)	Amount				
<b>Balance at February 3, 2024</b>	231,156	37,791	37,791	\$ 269	\$ 2,229,582	\$ (1,047,243)	\$ 1,821	\$ 1,184,429
Equity-based compensation expense (Note 7)	—	—	—	—	17,451	—	—	17,451
Net loss	—	—	—	—	—	(46,483)	—	(46,483)
Foreign currency translation adjustment, net of tax	—	—	—	—	—	—	1,665	1,665
Unrealized gain on derivatives (Note 5), net of tax	—	—	—	—	—	—	6,372	6,372
Gains on derivatives reclassified to income (Note 5), net of tax	—	—	—	—	—	—	(850)	(850)
Issuance of common stock, net of tax withholdings	1,793	—	—	2	(277)	—	—	(275)
<b>Balance at May 4, 2024</b>	<u>232,949</u>	<u>37,791</u>	<u>37,791</u>	<u>\$ 271</u>	<u>\$ 2,246,756</u>	<u>\$ (1,093,726)</u>	<u>\$ 9,008</u>	<u>\$ 1,162,309</u>

See accompanying notes to consolidated financial statements.

**PETCO HEALTH AND WELLNESS COMPANY, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands) (Unaudited)

	Thirteen weeks ended	
	May 3, 2025	May 4, 2024
Cash flows from operating activities:		
Net loss	\$ (11,661)	\$ (46,483)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	49,365	49,587
Amortization of debt discounts and issuance costs	1,246	1,218
Provision for deferred taxes	(9,218)	(13,365)
Equity-based compensation	9,420	17,434
Impairments, write-offs and losses on sale of fixed and other assets	446	3,508
Income from equity method investees	(4,610)	(4,886)
Amounts reclassified out of accumulated other comprehensive loss	(212)	(1,129)
Non-cash operating lease costs	102,132	103,637
Other non-operating loss	—	2,665
Changes in assets and liabilities:		
Receivables	4,229	2,987
Merchandise inventories	7,857	3,076
Prepaid expenses and other assets	(1,673)	(4,511)
Accounts payable and book overdrafts	(19,028)	(19,538)
Accrued salaries and employee benefits	(51,130)	(5,474)
Accrued expenses and other liabilities	12,426	5,902
Operating lease liabilities	(103,780)	(104,181)
Other long-term liabilities	(1,263)	1,139
Net cash used in operating activities	<u>(15,454)</u>	<u>(8,414)</u>
Cash flows from investing activities:		
Cash paid for fixed assets	(28,412)	(32,641)
Cash paid for acquisitions, net of cash acquired	—	(100)
Proceeds from investments	—	998
Proceeds from sale of assets	1,279	—
Net cash used in investing activities	<u>(27,133)</u>	<u>(31,743)</u>
Cash flows from financing activities:		
Borrowings under long-term debt agreements	—	173,000
Repayments of long-term debt	—	(173,000)
Debt refinancing costs	—	(2,955)
Payments for finance lease liabilities	(1,143)	(1,444)
Proceeds from employee stock purchase plan and stock option exercises	967	830
Tax withholdings on stock-based awards	(158)	(2,059)
Net cash used in financing activities	<u>(334)</u>	<u>(5,628)</u>
Net decrease in cash, cash equivalents and restricted cash	(42,921)	(45,785)
Cash, cash equivalents and restricted cash at beginning of period	181,665	136,649
Cash, cash equivalents and restricted cash at end of period	<u>\$ 138,744</u>	<u>\$ 90,864</u>
Supplemental cash flow disclosures:		
Interest paid, net	\$ 31,112	\$ 34,357
Income taxes paid	\$ 630	\$ 1,282
Supplemental non-cash investing and financing activities disclosure:		
Accounts payable and accrued expenses for capital expenditures	\$ 13,010	\$ 14,541

See accompanying notes to consolidated financial statements.

**PETCO HEALTH AND WELLNESS COMPANY, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Summary of Significant Accounting Policies**

***Basis of Presentation***

Petco Health and Wellness Company, Inc. (together with its consolidated subsidiaries, the "Company") is a pet specialty retailer 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 February 1, 2025.

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 February 1, 2025, 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.

***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 relating to the three-month Secured Overnight Financing Rate as published by CME Group ("Term SOFR"). The interest rate caps became effective December 30, 2022 and expired on December 31, 2024. The interest rate caps were accounted for as cash flow hedges, and changes in the fair value of the interest rate caps are reported as a component of accumulated other comprehensive income (loss) ("AOCI").

The Company has also entered into interest rate collar and interest rate swap agreements to limit the maximum interest on a portion of the Company's variable-rate debt and decrease its exposure to interest rate variability relating to three-month Term SOFR.

The interest rate collars and swap are accounted for as cash flow hedges, and changes in the fair value of the interest rate collars are reported as a component of AOCI.

### 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):

	May 3, 2025	February 1, 2025
Cash and cash equivalents	\$ 133,343	\$ 165,756
Restricted cash included in other current assets	5,401	15,909
Total cash, cash equivalents and restricted cash in the statement of cash flows	\$ 138,744	\$ 181,665

### 2. Revenue Recognition

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

	Thirteen weeks ended	
	May 3, 2025	May 4, 2024
Consumables	\$ 748,070	\$ 763,974
Supplies and companion animals	493,821	515,757
Services and other	251,508	249,409
Net sales	\$ 1,493,399	\$ 1,529,140

### 3. Goodwill

The Company has one reporting unit. The Company performs its annual impairment test during the fourth quarter of each fiscal year or more frequently when warranted by events or changes in circumstances.

During the first quarter of fiscal 2024, due to declines in the Company's share price, the Company performed an interim impairment test. As the estimated fair value of the Company's reporting unit was in excess of its carrying value, the Company concluded that goodwill was not impaired during the first quarter of fiscal 2024. The fair value of the Company's reporting unit was based upon an equal weighting of the income and market approaches, utilizing estimated cash flows and a terminal value, discounted at a rate of return that reflects the relative risk of the cash flows, as well as valuation multiples derived from comparable publicly traded companies that are applied to operating performance of the reporting unit.

Significant assumptions used in the determination of fair value of the reporting unit generally include prospective financial information, discount rates, terminal growth rates, and earnings multiples. The discounted cash flow model used to determine the fair value of the reporting unit during the first quarter of fiscal 2024 reflected the Company's most recent cash flow projections, a discount rate of 13.2%, and a terminal growth rate of 3%. The reporting unit fair value measurement is classified as Level 3 in the fair value hierarchy because it involves significant unobservable inputs.

There were no triggering events identified and no indications of impairment of the Company's goodwill during the thirteen week period ended May 3, 2025.

### 4. Senior Secured Credit Facilities

The Company has a 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 \$581.0 million, subject to a borrowing base (as amended from time to time, the "ABL Revolving Credit Facility"). The first tranche of the ABL Revolving Credit Facility has availability of up to \$35.0 million, subject to a borrowing base, maturing on March 4, 2026. The second tranche has availability of up to \$546.0 million, subject to a borrowing base, maturing on March 29, 2029. Interest

on the ABL Revolving Credit Facility is based on, at the Company's option, either the base rate subject to a 1% floor, or Term SOFR subject to a floor of 0%, plus an applicable margin.

As of May 3, 2025, the Company was in compliance with its covenants under the First Lien Term Loan and the ABL Revolving Credit Facility.

### ***Term Loan Facilities***

As of May 3, 2025, the outstanding principal balance of the First Lien Term Loan was \$1,595.3 million (\$1,583.5 million, net of the unamortized discount and debt issuance costs). As of February 1, 2025, the outstanding principal balance of the First Lien Term Loan was \$1,595.3 million (\$1,582.5 million, net of the unamortized discount and debt issuance costs). The weighted average interest rate on the borrowings outstanding was 7.9% and 7.9% as of May 3, 2025 and February 1, 2025, 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 May 3, 2025 and February 1, 2025, the estimated fair value of the First Lien Term Loan was approximately \$1,391.9 million and \$1,529.5 million, respectively, based upon Level 2 fair value hierarchy inputs.

### ***Revolving Credit Facilities***

In March 2024, the Company amended the ABL Revolving Credit Facility to increase its total availability and extend the maturity on a portion of the availability. Fees of \$3.0 million relating to the Company's entry into the amendment were capitalized as debt issuance costs. These fees consisted of arranger fees and other third-party expenses. The unamortized portion of the debt issuance costs of the ABL Revolving Credit Facility previously capitalized is being amortized over the amended contractual term.

As of May 3, 2025 and February 1, 2025, no amounts were outstanding under the ABL Revolving Credit Facility. At May 3, 2025, \$514.6 million was available under the ABL Revolving Credit Facility, which is net of \$58.4 million of outstanding letters of credit issued in the normal course of business and an \$8.0 million borrowing base reduction for a shortfall in qualifying assets. As of May 3, 2025 and February 1, 2025, unamortized debt issuance costs of \$4.1 million and \$4.4 million, respectively, 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.

Prior to the March 2024 amendment, interest on the ABL Revolving Credit Facility was based on, at the Company's option, either the base rate or Adjusted Term SOFR subject to a floor of 0%, in either case, plus an applicable margin. Following the March 2024 amendment, interest on the ABL Revolving Credit Facility is now based on, at the Company's option, either the base rate subject to a 1% floor, or Term SOFR subject to a floor of 0%, 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 Term SOFR loans.

## **5. Derivative Instruments**

The Company's interest rate swap, caps and collars are accounted for as cash flow hedges because they are expected to be highly effective in hedging variable rate interest payments. Changes in the fair value of the cash flow hedges are reported as a component of AOCI. As of May 3, 2025, AOCI included unrealized losses of \$2.9 million (\$2.2 million, net of tax). As of February 1, 2025, AOCI included unrealized gains of \$0.4 million (\$0.3 million, net of tax). Approximately \$0.2 million and \$1.1 million of pre-tax gains deferred in AOCI were reclassified to interest expense during the thirteen week periods ended May 3, 2025 and May 4, 2024, respectively. The Company currently estimates that \$0.7 million of losses related to trade date costs on its cash flow hedges that are currently deferred in AOCI will be reclassified to interest expense in the consolidated statement of operations within the next twelve months. This estimate could vary based on actual amounts as a result of changes in market conditions.

The cash flow hedges are reflected in the Company's consolidated balance sheets as follows (in thousands):

<u>Assets (Liabilities)</u>	<u>Balance sheet location</u>	<u>May 3, 2025</u>	<u>February 1, 2025</u>
Current asset portion of cash flow hedges	Other current assets	\$ 744	\$ 1,194
Non-current asset portion of cash flow hedges	Other long-term assets	—	746
Current liability portion of cash flow hedges	Accrued expenses and other liabilities	(529)	(107)
Non-current liability portion of cash flow hedges	Other long-term liabilities	(2,330)	(554)
<b>Total cash flow hedges</b>		<b>\$ (2,115)</b>	<b>\$ 1,279</b>

## 6. 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):

	<u>May 3, 2025</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets (liabilities):</b>			
Money market mutual funds	\$ 82,884	\$ —	\$ —
Investments of officers' life insurance	\$ —	\$ 14,142	\$ —
Non-qualified deferred compensation plan	\$ —	\$ (14,045)	\$ —
<b>February 1, 2025</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets (liabilities):</b>			
Money market mutual funds	\$ 127,109	\$ —	\$ —
Investments of officers' life insurance	\$ —	\$ 14,630	\$ —
Non-qualified deferred compensation plan	\$ —	\$ (13,996)	\$ —

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 \$77.5 million and \$111.5 million as of May 3, 2025 and February 1, 2025, respectively. Also included in the Company's money market mutual funds balances were \$5.4 million and \$15.6 million as of May 3, 2025 and February 1, 2025, 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 holds certain investments in equity securities without readily determinable fair values. When an upward or downward adjustment occurs, the resulting gains or losses are included in other non-operating income in the consolidated statements of operations.

### *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.

The Company's trade name has an indefinite life. The Company performs its annual impairment test during the fourth quarter of each fiscal year, or more frequently when warranted by events or changes in circumstances. During the first quarter of fiscal 2024, due to declines in the Company's share price, the Company performed an interim impairment test of its goodwill and indefinite-lived trade name. Refer to Note 3 for further discussion of the results of interim impairment testing performed on the Company's goodwill.

The fair value of the Company's trade name was estimated by management using the relief from royalty valuation method, which estimates the hypothetical royalties that would have to be paid if the trade name was not owned. The fair value of the Company's trade name reflected the Company's most recent revenue projections, a discount rate of 14.2% and a terminal growth rate of 3%. The Company concluded that the fair value of its trade name exceeded its carrying value, and therefore no trade name impairment charge was recorded during the first quarter of fiscal 2024. The Company's trade name fair value measurement is classified as Level 3 in the fair value hierarchy because it involves significant unobservable inputs.

There were no triggering events identified and no indications of impairment of the Company's goodwill, indefinite-lived trade name, other intangible assets or equity and other investments during the thirteen week period ended May 3, 2025. There were no indications of impairment of the Company's other intangible assets or equity and other investments during the thirteen week period ended May 4, 2024. During the thirteen week periods ended May 3, 2025 and May 4, 2024, the Company recorded fixed asset and right-of-use asset impairment charges of \$0.6 million and \$3.5 million, respectively.

## 7. Stockholders' Equity

### *Equity-Based Compensation*

Equity-based compensation awards under the Company's current equity incentive plan (as amended, the "2021 Equity Incentive Plan") include restricted stock units ("RSUs," which include performance-based stock units and market-based stock units), restricted stock awards ("RSAs"), non-qualified stock options, and other equity compensation awards. In addition, the Company has made equity-based compensation awards of RSUs and non-qualified stock options outside of the 2021 Equity Incentive Plan as employment inducement awards (collectively, the "Inducement 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	
	May 3, 2025	May 4, 2024
RSUs and RSAs	\$ 7,735	\$ 10,722
Options	1,365	5,553
ESPP	338	320
Other awards	(18)	839
Total equity-based compensation expense	<u>\$ 9,420</u>	<u>\$ 17,434</u>

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

	<u>RSUs and RSAs</u>	<u>Options</u>
Nonvested/outstanding, February 1, 2025	12,180	11,685
Granted	14,879	3,050
Vested and delivered/exercised	(2,258)	—
Forfeited/expired	(971)	(380)
Nonvested/outstanding, May 3, 2025	<u>23,830</u>	<u>14,355</u>
Unrecognized compensation expense as of May 3, 2025	\$ 58,766	\$ 13,325
Weighted average remaining expense period as of May 3, 2025	2.4 years	2.4 years

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):

	<u>Units</u>
Outstanding, February 1, 2025	192,835
Granted	—
Forfeited	(409)
Outstanding, May 3, 2025	<u>192,426</u>
Vested, May 3, 2025	<u>190,382</u>

No additional Series C Units have been or will be awarded following the Company's initial public offering. As of May 3, 2025, unrecognized compensation expense related to the unvested portion of Scooby LP's Series C Units was \$0.1 million, which is expected to be recognized over a weighted average period of 0.3 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% of its direct or indirect holdings of the Company's Class A common stock.

### **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.

All outstanding equity awards were excluded from the calculation of diluted loss per Class A and B-1 common share in the thirteen weeks ended May 3, 2025 and May 4, 2024, as their effect would be antidilutive in a net loss period.

### **8. Commitments and Contingencies**

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

## 9. Reportable Segment

The Company has one reportable segment managed on a consolidated basis. The measure of segment profit or loss is consolidated net income (loss) that is reported on the consolidated statement of operations. The measure of segment assets is reported on the consolidated balance sheet as total assets.

The following represents segment information for the Company's single operating segment, for the periods presented (in thousands):

	Thirteen weeks ended	
	May 3, 2025	May 4, 2024
Revenue	\$ 1,493,399	\$ 1,529,140
Add (deduct):		
Cost of sales	(923,431)	(950,480)
Advertising and marketing expenses	(35,446)	(42,607)
Stock compensation - general and administrative	(9,323)	(17,434)
Other general and administrative expenses (1)	(508,840)	(535,401)
Interest income	1,359	418
Interest expense	(33,494)	(36,817)
Other non-operating loss	—	(2,665)
Income tax (expense) benefit	(495)	4,477
Income from equity method investees	4,610	4,886
Consolidated net loss	<u>\$ (11,661)</u>	<u>\$ (46,483)</u>

- (1) Other general & administrative expenses include pet care center expenses, support center labor and occupancy costs, legal, accounting, information technology, and consulting costs, depreciation and amortization, as well as impairments, write-offs, and losses on the sale of fixed and other assets.

## 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 February 1, 2025 (the “2024 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

Petco Health and Wellness Company, Inc. (“Petco”, the “Company”, “we”, “our” and “us”) is a pet specialty retailer focused on improving the lives of pets, pet parents, and our own partners. Through our omnichannel ecosystem, we provide our customers with a comprehensive offering of products and services to fulfill all of their pets’ needs through our more than 1,500 pet care centers in the U.S., Mexico, and Puerto Rico, our digital channel, and our flexible fulfillment options.

Our multicategory strategy integrates our digital assets with our nationwide physical footprint to meet the needs of pet parents who are looking for a single source for all their pets’ needs. Petco.com, our e-commerce site, and the Petco app, our personalized mobile app, together serve as hubs for pet parents to book appointments and manage all of their pets’ needs, while enabling them to shop wherever, whenever, and however they want.

We strive to be a company that is improving millions of pet lives as well as the lives of pet parents and the partners who work for us. In tandem with Petco Love, an independent 501(c)(3) nonprofit organization, we work with and support thousands of local animal welfare groups across the country and, through these partnerships and in-store adoption events, we have helped find homes for approximately 7 million animals.

Macroeconomic factors, including interest rates, potential inflationary pressures, tariffs, and global economic and geopolitical developments have had 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 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

Comparing the thirteen weeks ended May 3, 2025 with the thirteen weeks ended May 4, 2024 (unless otherwise noted), our results included the following:

- a decrease in net sales from \$1.53 billion to \$1.49 billion, representing a period-over-period decrease of 2.3%;
- operating income of \$16.4 million, compared to an operating loss of \$16.8 million in the prior year period;
- net loss attributable to Class A and B-1 common stockholders of \$11.7 million, compared to net loss attributable to Class A and B-1 common stockholders of \$46.5 million in the prior year period; and
- an increase in Adjusted EBITDA from \$75.6 million to \$89.4 million.

## 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	
	May 3, 2025	May 4, 2024
Net sales:		
Products	\$ 1,241,891	\$ 1,279,731
Services and other	251,508	249,409
Total net sales	1,493,399	1,529,140
Cost of sales:		
Products	766,285	792,722
Services and other	157,146	157,758
Total cost of sales	923,431	950,480
Gross profit	569,968	578,660
Selling, general and administrative expenses	553,609	595,442
Operating income (loss)	16,359	(16,782)
Interest income	(1,359)	(418)
Interest expense	33,494	36,817
Other non-operating loss	—	2,665
Loss before income taxes and income from equity method investees	(15,776)	(55,846)
Income tax expense (benefit)	495	(4,477)
Income from equity method investees	(4,610)	(4,886)
Net loss attributable to Class A and B-1 common stockholders	\$ (11,661)	\$ (46,483)

	Thirteen weeks ended	
	May 3, 2025	May 4, 2024
Net sales:		
Products	83.2%	83.7%
Services and other	16.8	16.3
Total net sales	100.0	100.0
Cost of sales:		
Products	51.3	51.9
Services and other	10.5	10.3
Total cost of sales	61.8	62.2
Gross profit	38.2	37.8
Selling, general and administrative expenses	37.1	38.9
Operating income (loss)	1.1	(1.1)
Interest income	(0.1)	(0.0)
Interest expense	2.3	2.4
Other non-operating loss	—	0.2
Loss before income taxes and income from equity method investees	(1.1)	(3.7)
Income tax expense (benefit)	0.0	(0.4)
Income from equity method investees	(0.3)	(0.3)
Net loss attributable to Class A and B-1 common stockholders	(0.8)%	(3.0)%

	Thirteen weeks ended	
	May 3, 2025	May 4, 2024
<b>Operational Data:</b>		
Comparable sales change	(1.3)%	(1.2)%
Total pet care centers (U.S. and Puerto Rico) at end of period	1,393	1,423
Adjusted EBITDA (in thousands)	\$ 89,449	\$ 75,644

### Thirteen Weeks Ended May 3, 2025 Compared with Thirteen Weeks Ended May 4, 2024

#### *Net Sales and Comparable Sales*

(dollars in thousands)	Thirteen weeks ended			
	May 3, 2025	May 4, 2024	\$ Change	% Change
Consumables	\$ 748,070	\$ 763,974	\$ (15,904)	(2.1)%
Supplies and companion animals	493,821	515,757	(21,936)	(4.3)%
Services and other	251,508	249,409	2,099	0.8%
Net sales	<u>\$ 1,493,399</u>	<u>\$ 1,529,140</u>	<u>\$ (35,741)</u>	<u>(2.3)%</u>

Net sales decreased \$35.7 million, or 2.3%, to \$1.49 billion in the thirteen weeks ended May 3, 2025 compared to net sales of \$1.53 billion in the thirteen weeks ended May 4, 2024. The sales decrease primarily reflects lower transaction volume and a lower pet care center count, as well as a greater focus on profitability and margin. We continue to experience momentum in services, driven in part by our strategic investments in customer acquisition and retention, as well as efforts to optimize our existing veterinary hospital footprint.

We are unable to quantify certain factors impacting sales described above due to the fact that such factors are based on input measures or qualitative information that do not lend themselves to quantification.

#### *Gross Profit*

As a percentage of net sales, our gross profit rate was 38.2% for the thirteen weeks ended May 3, 2025 compared with 37.8% for the thirteen weeks ended May 4, 2024. The increase was primarily due to improved utilization of our services footprint, effective inventory management, supply chain optimization efforts, and channel mix impacts. We are unable to quantify the factors impacting gross profit rate described above due to the fact that such factors are based on input measures or qualitative information that do not lend themselves to quantification.

#### *Selling, General and Administrative (“SG&A”) Expenses*

As a percentage of net sales, SG&A expenses were 37.1% for the thirteen weeks ended May 3, 2025 compared with 38.9% for the thirteen weeks ended May 4, 2024. The decrease in SG&A expenses period-over-period included lower payroll and other compensation costs, advertising expenses, and store occupancy costs. In addition, the Company incurred disposition costs relating to its Pupbox business during the thirteen weeks ended May 4, 2024.

#### *Interest Expense*

Interest expense decreased \$3.3 million, or 9.0%, to \$33.5 million in the thirteen weeks ended May 3, 2025 compared with \$36.8 million in the thirteen weeks ended May 4, 2024. The decrease was primarily driven by lower interest rates on the First Lien Term Loan during the thirteen weeks ended May 3, 2025. For more information refer to Note 4, “*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 Loss***

There was no other non-operating income or loss recognized during the thirteen weeks ended May 3, 2025. Other non-operating loss was \$2.7 million for the thirteen weeks ended May 4, 2024. For more information, refer to Note 6, “*Fair Value Measurements*,” to the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

### ***Income Tax Expense (Benefit)***

Our effective tax rate was (4.5%) resulting in income tax expense of \$0.5 million for the thirteen weeks ended May 3, 2025, compared to an effective tax rate of 9.1% resulting in income tax benefit of \$4.5 million for the thirteen weeks ended May 4, 2024. The change in effective tax rate for the thirteen weeks ended May 3, 2025 is primarily driven by a reduction of equity-based compensation not expected to be deductible for tax purposes, along with a change in pre-tax earnings.

### **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 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 2024 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	
	May 3, 2025	May 4, 2024
Net loss attributable to Class A and B-1 common stockholders	\$ (11,661)	\$ (46,483)
Interest expense, net	32,135	36,399
Income tax expense (benefit)	495	(4,477)
Depreciation and amortization	49,365	49,587
Income from equity method investees	(4,610)	(4,886)
Asset impairments and write offs	446	3,508
Equity-based compensation	9,420	17,434
Other non-operating loss	—	2,665
Mexico joint venture EBITDA (1)	10,198	10,496
Acquisition and divestiture-related costs (2)	—	3,719
Other costs (3)	3,661	7,682
Adjusted EBITDA	<u>\$ 89,449</u>	<u>\$ 75,644</u>
Net sales	<u>\$ 1,493,399</u>	<u>\$ 1,529,140</u>
Net margin (4)	(0.8)%	(3.0)%
Adjusted EBITDA Margin	6.0%	4.9%

- (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	
	May 3, 2025	May 4, 2024
Net income	\$ 9,220	\$ 9,555
Depreciation	6,597	6,948
Income tax expense	4,166	3,456
Foreign currency (gain) loss	(292)	479
Interest expense, net	704	553
EBITDA	<u>\$ 20,395</u>	<u>\$ 20,991</u>
50% of EBITDA	<u>\$ 10,198</u>	<u>\$ 10,496</u>

- (2) Acquisition and divestiture-related costs include direct costs resulting from acquiring, integrating, or divesting businesses. These include third-party professional and legal fees, losses on sales of divestitures, and other integration-related costs that would not have otherwise been incurred as part of the Company's operations.
- (3) Other costs include, as incurred: restructuring costs and restructuring-related severance costs; legal reserves associated with significant, non-ordinary course legal or regulatory matters; and costs related to certain significant strategic transactions.
- (4) We define net margin as net loss 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:

	Thirteen weeks ended	
	May 3, 2025	May 4, 2024
<b>(dollars in thousands)</b>		
Net cash used in operating activities	\$ (15,454)	\$ (8,414)
Cash paid for fixed assets	(28,412)	(32,641)
Free Cash Flow	<u>\$ (43,866)</u>	<u>\$ (41,055)</u>

## Liquidity and Capital Resources

### Overview

Our primary sources of liquidity are funds generated by operating activities and available capacity for borrowings on our \$581.0 million 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 May 3, 2025 was \$647.9 million, inclusive of cash and cash equivalents of \$133.3 million and \$514.6 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:

	Thirteen weeks ended	
	May 3, 2025	May 4, 2024
<b>(dollars in thousands)</b>		
<b>Total cash used in:</b>		
Operating activities	\$ (15,454)	\$ (8,414)
Investing activities	(27,133)	(31,743)
Financing activities	(334)	(5,628)
Net decrease in cash, cash equivalents and restricted cash	<u>\$ (42,921)</u>	<u>\$ (45,785)</u>

### 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 used in operating activities is impacted by our net loss 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; and the effect of changes in operating assets and liabilities.

Net cash used in operating activities was \$15.5 million in the thirteen weeks ended May 3, 2025 compared with net cash used in operating activities of \$8.4 million in the thirteen weeks ended May 4, 2024. The increase in net cash outflows was primarily driven by lower sales and higher payouts of prior year accrued incentive bonuses. This was partially offset by a decrease in inventory purchases and lower payroll and fringe benefits.

### ***Investing Activities***

Cash used in investing activities was \$27.1 million and \$31.7 million for the thirteen weeks ended May 3, 2025 and May 4, 2024, respectively. This decrease was primarily driven by reductions in new pet care centers and hospitals.

### ***Financing Activities***

Net cash used in financing activities was \$0.3 million for the thirteen weeks ended May 3, 2025, compared with \$5.6 million used in financing activities in the thirteen weeks ended May 4, 2024. This decrease was primarily driven by less cash paid for tax withholdings on equity-based awards during the thirteen weeks ended May 3, 2025 and debt refinancing costs paid during the thirteen weeks ended May 4, 2024.

### ***Sources of Liquidity***

#### ***Senior Secured Credit Facilities***

The Company has a 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 \$581.0 million, subject to a borrowing base (as amended from time to time, the “ABL Revolving Credit Facility”). The first tranche of the ABL Revolving Credit Facility has availability of up to \$35.0 million, subject to a borrowing base, maturing on March 4, 2026. The second tranche has availability of up to \$546.0 million, subject to a borrowing base, maturing on March 29, 2029.

For more information regarding this indebtedness, refer to Note 4, “*Senior Secured Credit Facilities*,” to the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

#### ***Derivative Instruments***

The Company has entered into interest rate cap, collar and swap agreements to limit the maximum interest on a portion of the Company’s variable-rate debt and decrease its exposure to interest rate variability relating to three-month Term SOFR. For more information regarding derivative instruments, refer to Note 5, “*Derivative Instruments*,” 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 2024 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 May 3, 2025, we had \$1,595.3 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 May 3, 2025 would have increased gross annual cash interest in the aggregate by approximately \$16.2 million. Additionally, we entered into cash flow hedges to limit the maximum interest rate on a portion of our variable-rate debt and limit our exposure to interest rate variability, refer to Note 5, “*Derivative Instruments*,” to the Notes to Consolidated Financial Statements included in Part I, Item 1 of this Form 10-Q.

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 May 3, 2025, 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, with a small amount denominated in foreign currencies. Our expenses are generally denominated in the currencies of the jurisdictions in which we conduct our operations. Our results of current and future operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. We do not enter into forward currency contracts to hedge our foreign currency exposure. A hypothetical 10% change in foreign currency exchange rates applicable to our business would not 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 May 3, 2025.

***Changes in Internal Control over Financial Reporting***

There was no change in our internal control over financial reporting that occurred during the quarter ended May 3, 2025, 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 8, “*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 2024 Form 10-K for information concerning risk factors. There have been no material changes with respect to the risk factors disclosed in the 2024 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 2024 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 of our directors or Section 16 officers adopted or terminated a Rule 10b5-1 trading arrangement (as defined in Item 408(a) of Regulation S-K) or a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K) during the quarterly period covered by this Form 10-Q.

### 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†	<a href="#">Offer Letter, dated February 17, 2025, between Petco Health and Wellness Company, Inc. and Sabrina Simmons (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K, filed on February 18, 2025)</a>
10.2†	<a href="#">Transition and Separation Agreement and General Release of Claims, dated February 20, 2025, between Petco Animal Supplies Stores, Inc. and Brian LaRose (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K/A, filed on February 25, 2025)</a>
31.1	<a href="#">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</a>
31.2	<a href="#">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</a>
32.1*	<a href="#">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</a>

- 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 With Embedded Linkbase Documents
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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\* 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.

† Management contract or compensatory plan or arrangement.

**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: June 6, 2025

By: /s/ Sabrina Simmons  
Sabrina Simmons  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

**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, Joel D. Anderson, 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: June 6, 2025

By: \_\_\_\_\_ /s/ Joel D. Anderson

**Joel D. Anderson**  
**Chief Executive Officer**  
**(Principal Executive Officer)**

**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, Sabrina Simmons, 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: June 6, 2025

By:

/s/ Sabrina Simmons

**Sabrina Simmons**  
**Chief Financial Officer**  
**(Principal Financial Officer and**  
**Principal Accounting Officer)**

**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 May 3, 2025, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joel D. Anderson, 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: June 6, 2025

By: \_\_\_\_\_ /s/ Joel D. Anderson  
**Joel D. Anderson**  
**Chief Executive Officer**  
**(Principal Executive Officer)**

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**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 May 3, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Sabrina Simmons, 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: June 6, 2025

By: \_\_\_\_\_ /s/ Sabrina Simmons  
**Sabrina Simmons**  
**Chief Financial Officer**  
**(Principal Financial Officer and**  
**Principal Accounting Officer)**

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