

# Investor Presentation

November 2023



# Disclaimers

## Forward-Looking Information

This presentation contains forward-looking information. Forward-looking information is provided as of the date of this presentation and is based on management's opinions, estimates and assumptions in light of its experience and perception of historical trends, current trends, current conditions and expected future developments, as well as other factors that management believes appropriate and reasonable in the circumstances. Particularly, information regarding the Company's 2023 outlook and expectations, intentions or projections of future results, performance, achievements, prospects, opportunities or the markets in which the Company operates is forward-looking information. To the extent any forward-looking information in this presentation constitutes future-oriented financial information, within the meaning of applicable securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Pet Valu does not undertake to update any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada.

Many factors could cause the Company's actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking information, including, without limitation, the factors discussed in the "Risk Factors" section in our most recent annual information form ("AIF") dated March 6, 2023, which can be accessed under our profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). These factors are not intended to represent a complete list of the factors that could affect the Company; however, these factors should be considered carefully.

The forward-looking information contained in this presentation is expressly qualified by this cautionary statement.

## Non-International Financial Reporting Standards ("IFRS") and Supplementary Financial Measures and Non-IFRS Ratios

This presentation makes reference to certain non-IFRS measures and non-IFRS ratios. These measures and ratios are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. Pet Valu uses non-IFRS measures, including "EBITDA", "Adjusted EBITDA", "Adjusted Net Income", "Adjusted Net Income per Diluted Share", and "Net Capital Expenditures" and non-IFRS ratios, including "Adjusted EBITDA Margin". "Adjusted EBITDA Margin" is a non-IFRS ratio, calculated by dividing Adjusted EBITDA by total revenue. This presentation also makes reference to certain supplementary financial measures that are commonly used in the retail industry, including "System-wide sales", "Same-store sales growth", "4-Wall EBITDA", "4-Wall EBITDA Margin", "Average Unit Volume" or "AUV", "average sales to investment ratio" and "cash-on-cash returns." These non-IFRS measures, non-IFRS ratios, and supplementary financial measures are used to provide investors with supplemental measures of Pet Valu's operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures and these supplementary financial measures in the evaluation of issuers. Management uses non-IFRS and supplementary financial measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and to determine components of management compensation. Refer to our management's discussion and analysis ("MD&A") for the third quarter ended September 30, 2023 and AIF dated March 6, 2023, for further information on non-IFRS and supplementary financial measures, including for their definition and, for non-IFRS measures, a reconciliation to the most comparable IFRS measure (except for Net Capital Expenditures).

# Our Mission

To be Canada's preferred pet retailer delivering the products, care, expertise, and memorable moments that devoted pet lovers want...**locally in stores and everywhere online.**



# Investment Highlights



**Canada's largest specialty pet retailer,**  
in the resilient & growing pet industry



**Highly flexible, franchise-led operating model**  
with small, adaptable formats to fit local needs



**Compelling and engaging retail experiences**  
through in-store and digital channels



**Local pet authority for Canadian pet lovers,**  
led by an experienced management team



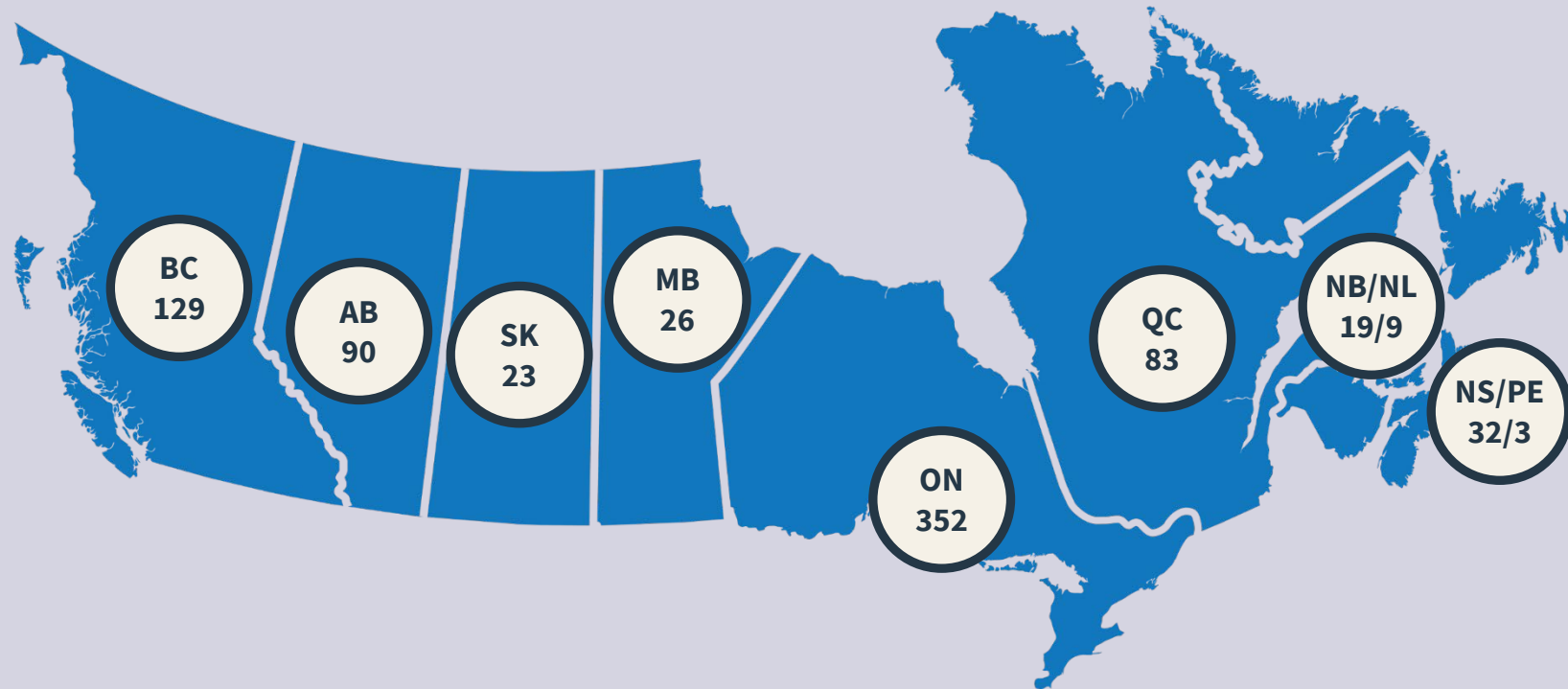
# We are Canada's Largest Pet Specialty Retailer

Unrivaled network across Canada with broad customer reach...

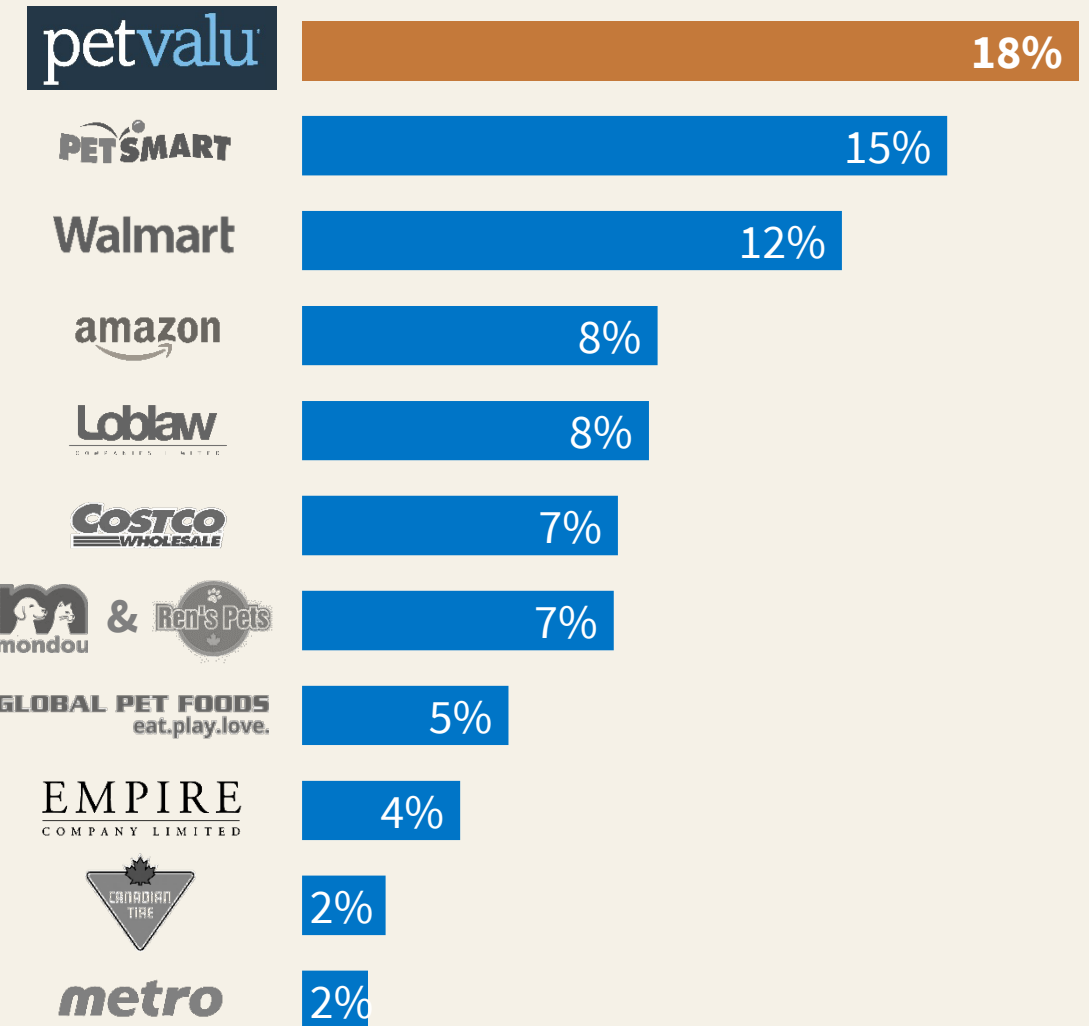
**766**  
stores across  
10 provinces<sup>1</sup>

**74%**  
of Canadians  
within 5km

**75%**  
market  
segment reach<sup>2</sup>



...driving leading market share<sup>3</sup> position



<sup>1</sup> As of the end of Q3 2023. <sup>2</sup> Customer segmentation from roundpeg Custom Quant Study (Summer 2022). <sup>3</sup> Fusion Analytics, 2022 Canadian Pet Spend Market Share; see AIF dated March 6, 2023 for details.

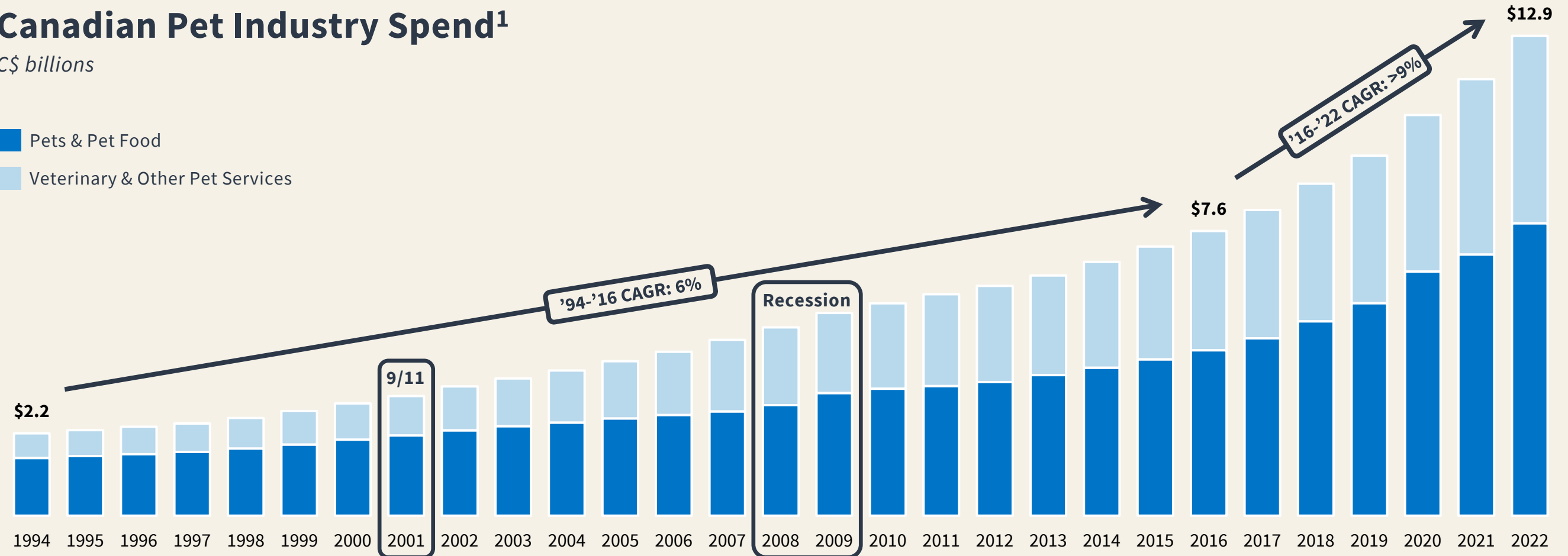
# Pet Industry Has Delivered Consistent & Resilient Growth

## Canadian Pet Industry Spend<sup>1</sup>

C\$ billions

■ Pets & Pet Food

■ Veterinary & Other Pet Services



### UNDERLYING TRENDS DRIVING INDUSTRY GROWTH

**1**

Growing number of pet owners & multi-pet households

**2**

Increasing humanization of pets

**3**

Highest value customer segment seeing fastest growth

<sup>1</sup>Statistics Canada, Table 36-10-0225-01 Detailed household final consumption expenditure, provincial and territorial.

# We Operate a Highly-Flexible, Franchise-Led Model

	Franchise Network   541 Stores <sup>1</sup>	Corporate Core   225 Stores <sup>1</sup>	
Strategic Benefits	<ul style="list-style-type: none"> <li>✓ Franchisees <b>live and invest in their communities</b></li> <li>✓ <b>Owner-operator model</b>, with mandatory 40hr/week commitment</li> <li>✓ <b>Limited concentration</b>: 65% of franchisees owning one store, 22% owning two stores and no franchisees with more than 7 stores</li> <li>✓ Average <b>franchisee tenure of ~9 years</b> with <b>&lt;4% annual turnover</b> (mostly related to retirement)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Stores in <b>every major location and market type</b></li> <li>✓ <b>Rapidly innovate</b> our product and service offering, while <b>developing and standardizing</b> leading practices</li> <li>✓ <b>Flexibility to invest in competitive real estate</b> markets if a franchisee has not yet been identified</li> <li>✓ Average corporate manager <b>tenure of ~5 years</b></li> </ul>	<p>All stores sized in small, adaptable formats to fit local market needs, driving consistent results</p> <p style="text-align: center;">↓</p> <p><b>Consistent Same-Store Sales Growth</b> across rural, suburban &amp; metro markets</p>
Economic Benefits	<ul style="list-style-type: none"> <li>✓ <b>AUV of \$1.96M<sup>2</sup> &amp; 4-Wall EBITDA of \$215K<sup>2</sup></b> (~11% margin) drives:               <ul style="list-style-type: none"> <li>○ Low investment cost of \$410K driving average sales-to-investment ratio of <b>4.8x<sup>3</sup></b></li> <li>○ Cash-on-cash returns <b>&gt;50%<sup>4</sup></b> and <b>~4-year payback</b> on initial investment</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>✓ <b>AUV of \$1.73M<sup>2</sup> &amp; 4-Wall EBITDA of &gt;\$400K<sup>2</sup></b> (&gt;25% margin) drives:               <ul style="list-style-type: none"> <li>○ Low investment cost of \$370K driving average sales-to-investment ratio of <b>4.7x<sup>3</sup></b></li> <li>○ Cash-on-cash returns <b>&gt;100%<sup>4</sup></b> and <b>~2-year payback</b> on initial investment</li> </ul> </li> </ul>	

<sup>1</sup>As of the end of Q3 2023. <sup>2</sup>Average unit volume (“AUV”) is a supplementary financial measure and is calculated by dividing system-wide sales by store count; AUV figures presented reflect Fiscal 2022 performance for 384 franchised stores (excluding Chico) and 208 corporate stores open for at least 12 months. <sup>3</sup>Average sales to investment ratio is a supplementary financial measure and is calculated by dividing AUV by average investment cost. <sup>4</sup>Cash-on-cash returns is a supplementary financial measure and is calculated by dividing 4-Wall EBITDA by average investment cost.

Note: 4-Wall EBITDA, 4-Wall EBITDA Margin, Same-Store Sales Growth and System-wide Sales are supplementary financial measures. Refer to our AIF dated March 6, 2023, for definitions, which are incorporated by reference herein.

# Our Compelling & Engaging Retail Experiences Set Us Apart

## Welcoming store environment

- ✓ Serves customers making a **quick stop** or those looking for **high-touch engagement and service**
- ✓ **Ongoing upgrades to stores** over 10 years old to maintain consistent look & feel



## Expert, compassionate advice

- ✓ **Highly engaging** Animal Care Experts (ACEs) balance safety, compassion, expertise and efficiency
- ✓ **30+ hours of rigorous upfront & continuing training** in nutrition, care, wellness, customer service & selling skills



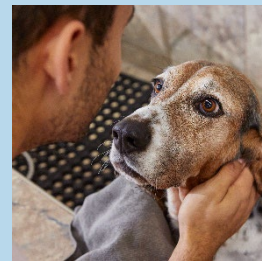
## Premium consumables offering; strong proprietary brands

- ✓ Premium consumables-focused offering comprised **~75% of system-wide sales** in Fiscal 2022
- ✓ Broad assortment of national brands, complemented by award-winning proprietary brands, **consisting of >1,800 products comprising ~26% of system-wide product sales** in Fiscal 2022



## Inviting in-store services

- Drive incremental traffic, extends visit durations and enhances overall engagement
- **~60%** of stores offer self-service dog wash bays and **~33%** offer grooming salons
- Significant growth opportunity with **only ~22% offering both**



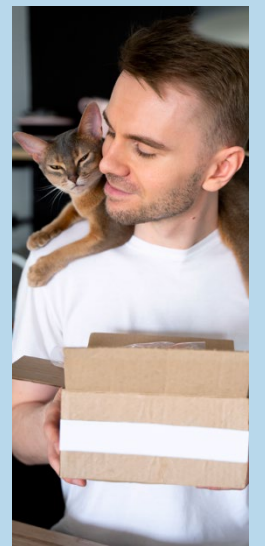
## Strong, growing customer loyalty

- **~2.6 million** active loyalty members as of end of Q2 2023
- **~80% of system-wide sales** from loyalty members in Q2 2023
- Significantly higher average transaction size



## Fully integrated omni-channel capabilities

- Canada-wide **direct-to-customer e-commerce site** as of February 2021
- Upgraded **Point-of-Sale** system as of Q3 2021
- Integrated **Click-and-Collect** as of Q3 2021
- AutoShip **subscription service** as of Q3 2022



Notes: Active Loyalty Members = customers transacting at any of our stores or online in the last 12 months.  
System-wide Sales is a supplementary financial measure. Refer to our AIF dated March 6, 2023, for definitions, which are incorporated by reference herein.

# Local Pet Authority, Led by Experienced Leadership Team

## Translating “Our Four Paws” into “Memorable Moments”

- Our Four Paws: Safety, Compassion, Expertise and Efficiency
- We hire ACEs for compassion, and develop the skills and expertise to serve
- Prioritize time with customers to create “Memorable Moments”

## Deeply Committed to supporting pets across Canada

- Donated over \$24M to local animal shelters and pet rescues since 2010
- Aided 43,000 homeless pets in finding their forever homes
- National feeding sponsor for Lions Foundation of Canada Dog Guides Program

<b>Adam Woodward</b>	<b>Kendalee MacKay</b>	<b>BJ Morden</b>	<b>Christine Bevilacqua</b>	<b>Nico Weidel</b>	<b>Richard Maltzbarger</b>	<b>Linda Drysdale</b>	<b>Tanbir Grover</b>	<b>Catherine Johnston</b>	<b>Gaylyn Craig</b>	<b>Guy Beaumier</b>
SVP, Franchise Store Operations	Chief Merchandising Officer	SVP, Corporate Technology Solutions	Chief Administrative Officer	Chief Supply Chain Officer	President & Chief Executive Officer	Chief Financial Officer	Chief Digital & Marketing Officer	Chief Legal Officer, General Counsel & Secretary	SVP, Corporate Store Operations	President & GM of Chico



# Our Long-Term Growth Formula



1

## Expand Our Store Network

Opportunity to grow store count to 1,200+

2

## Drive Same-Store Sales Growth

Build on proven strategies & growing digital channels

3

## Enhance Operating Margins

Leverage investments in modernizing systems

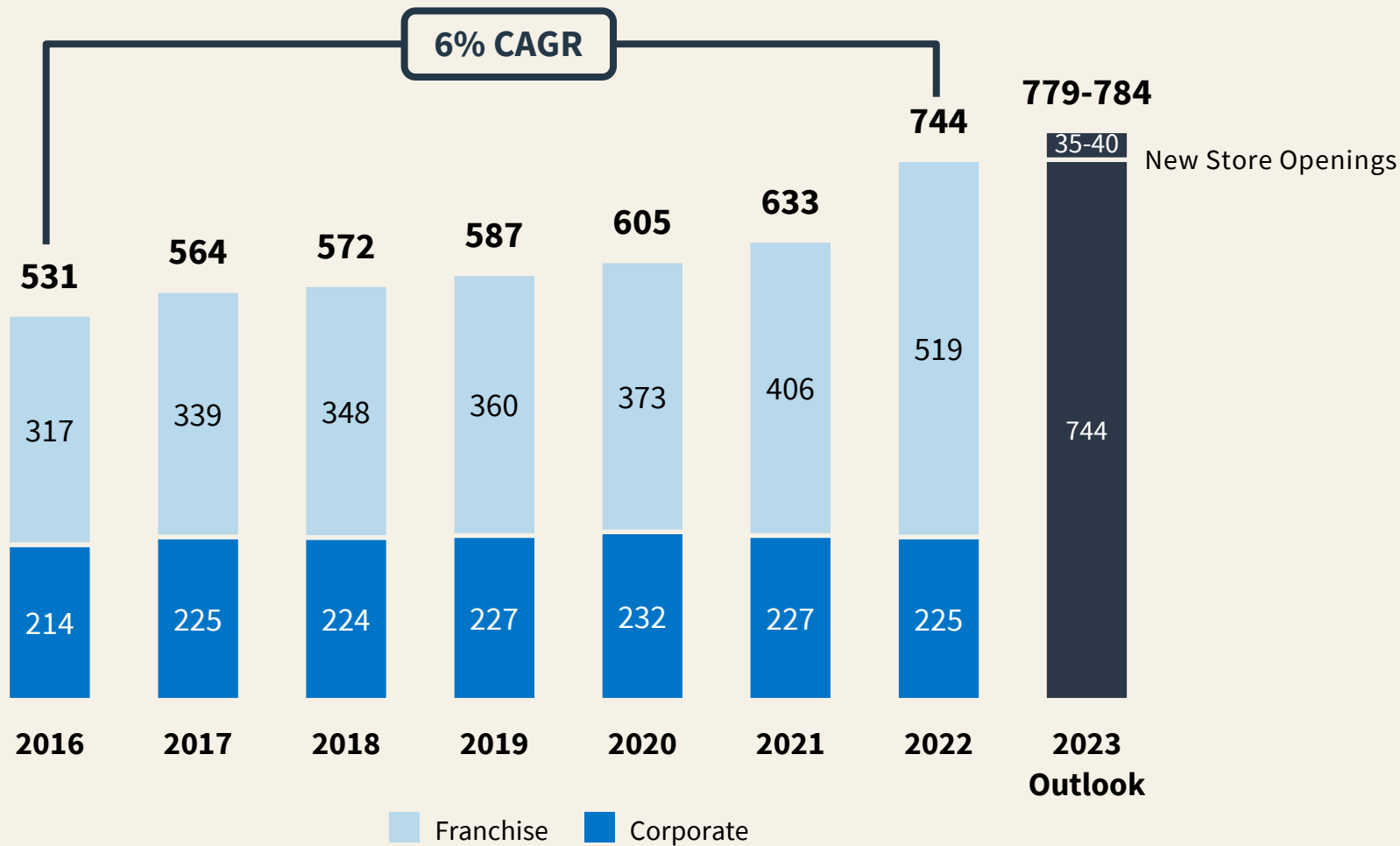


**Underpinned by the Resilient & Growing Canadian Pet Industry**

# 1 Expanding Our Store Network

## Store Count, by Type

as at year-end



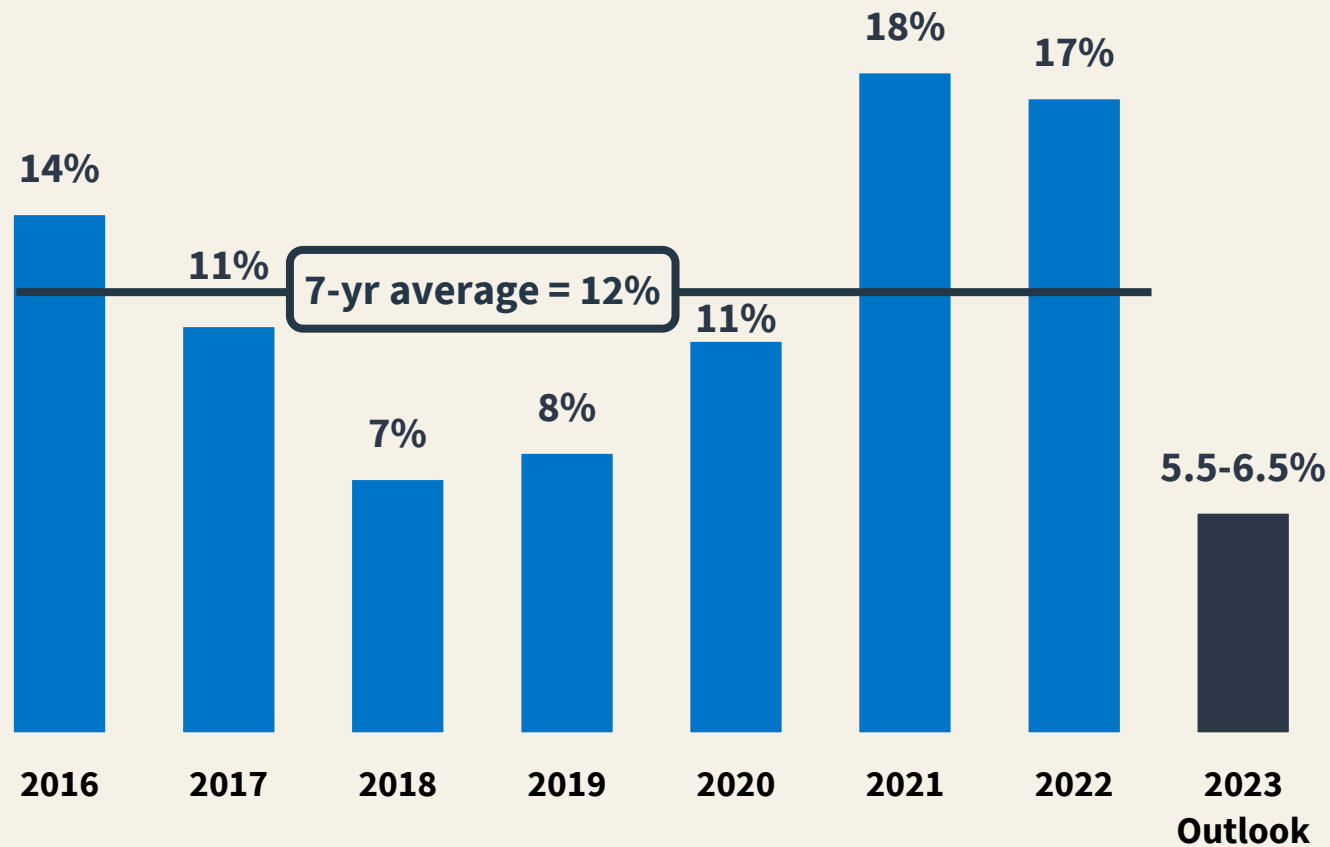
## Drivers

- ✓ Opportunity to grow store count to 1,200+ locations over the long term
- ✓ Identified locations in both new and fill-in markets for future growth
- ✓ Growth to be led primarily through franchised units
- ✓ Received ~1,400 formal franchising inquiries in 2022



# 2 Driving Same-Store Sales Growth

## Same-Store Sales Growth



## Drivers

- ✓ Embedded growth from maturation of recently opened stores
- ✓ Growth in loyalty, enabled by digital investments
- ✓ Continued excellence in merchandising
- ✓ Continued growth in omni-channel
- ✓ Expanding service offering across store network
- ✓ Refreshing and remodelling stores older than 10 years

# 3 Enhancing Operating Margins Through Proven Initiatives



## Purchasing Strength From Procurement

- **87%** of products for Pet Valu stores fulfilled by our own distribution infrastructure
- **Long-standing relationships** with a diverse base of suppliers



## Increased Proprietary Brand Penetration

- **Significantly higher margin** vs. national brands
- **~26% penetration**
- **Underpenetrated** hardline mix relative to global benchmarks



## Improved Labour Efficiency

- **Upgraded** customer service model
- **Process improvement** reallocating minutes **from tasks to selling**



## Increased Corporate SG&A Leverage

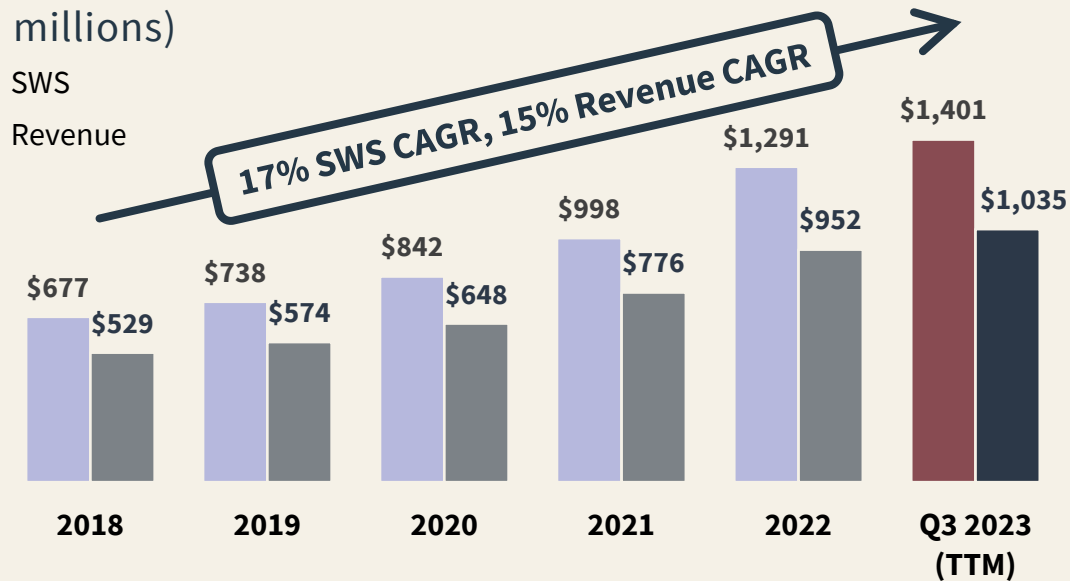
- **Significant investment** in technology since 2019
- **IT, digital & data analytics** capabilities
- **Inventory fulfillment** tools

# Strong Financial Track Record

## System-wide Sales (SWS) & Revenue

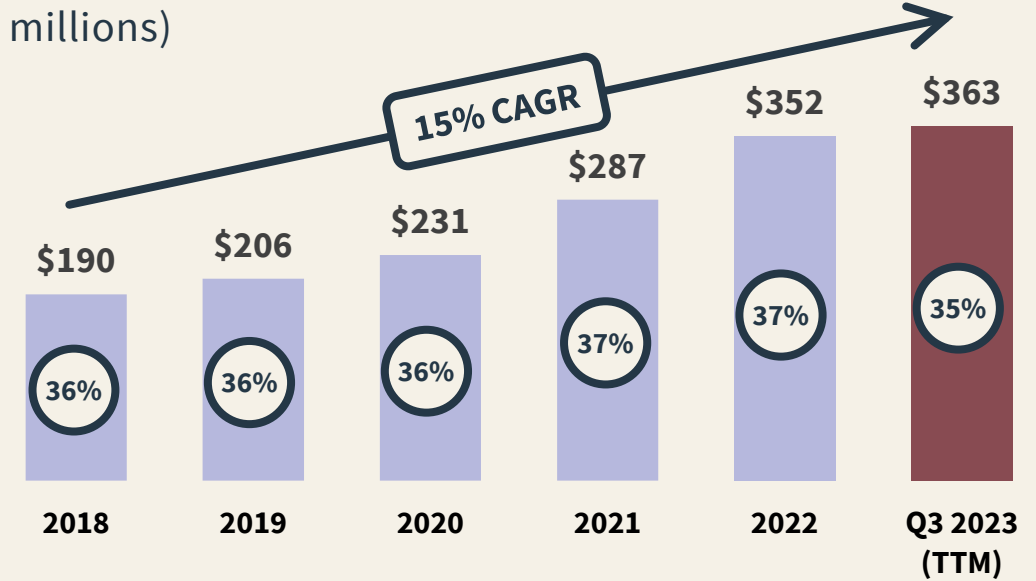
(in millions)

■ SWS  
■ Revenue



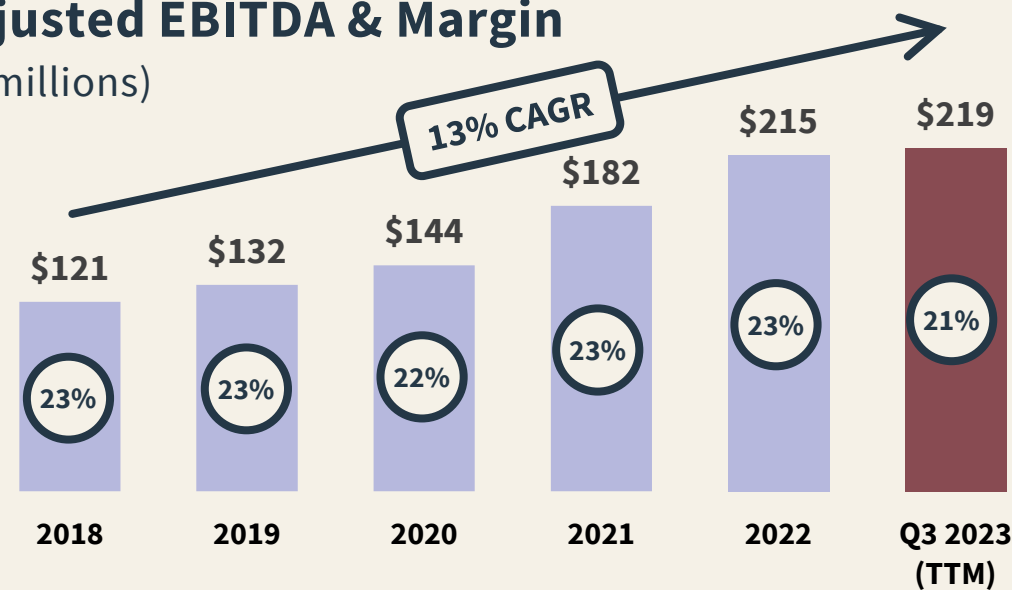
## Gross Profit & Margin

(in millions)



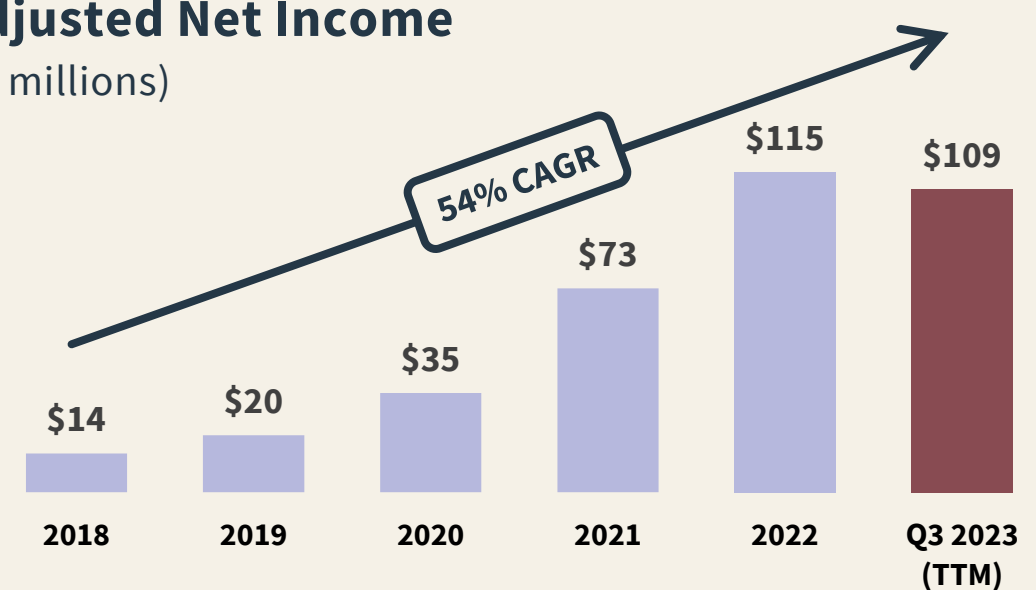
## Adjusted EBITDA & Margin

(in millions)



## Adjusted Net Income

(in millions)



Note: Adjusted EBITDA and Adjusted Net Income are non-IFRS measures and Adjusted EBITDA Margin is a non-IFRS ratio (calculated by dividing Adjusted EBITDA by total revenue). Refer to our MD&As for the third quarter ended September 30, 2023, fiscal year ended December 31, 2022, and fiscal year ended January 1, 2022 as well as the supplemented long form PREP prospectus dated June 23, 2021, for more information and reconciliations of these non-IFRS measures, which are incorporated by reference herein.

# 2023 Outlook



**Same-Store Sales Growth**

**New Stores Openings**

**Revenue**

**Adjusted EBITDA**

**Adjusted Net Income**

per Diluted Share

**Net Capital Expenditures**

**2023 Outlook**

**+5.5-6.5%**

**35-40**

**\$1,055-1,065M**

**\$230-233M**

**\$1.60-1.63**

**\$60M**

**Growth from FY 2022**

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**+5%<sup>1</sup>**

**+11-12%**

**+7-8%**

**+1-3%**

**+\$23M**

<sup>1</sup> Represents growth in total store count from 744 stores as of December 31, 2022.

Note: Net Capital Expenditures is a non-IFRS measure. Refer to our MD&A for the third quarter ended September 30, 2023, for definitions, which are incorporated by reference herein.

# Thank You

**Contact Us:**

[investors@petvalu.com](mailto:investors@petvalu.com)

(289) 806-4559

