



PETCO THIRD QUARTER 2022 EARNINGS CALL

November 30, 2022



SAFE HARBOR AND NON-GAAP MEASURES

This Presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 as contained in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, concerning expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are other than statements of historical fact, including statements regarding our fiscal year 2022 guidance, our growth plans, execution on our transformation initiatives, and our goals and expectations with respect to sustainability and employee matters, risks and opportunities. Such forward-looking statements can generally be identified by the use of forward-looking terms such as “believes,” “expects,” “may,” “intends,” “will,” “shall,” “should,” “anticipates,” “opportunity,” “illustrative”, or the negative thereof or other variations thereon or comparable terminology. Although Petco believes that the expectations and assumptions reflected in these statements are reasonable, there can be no assurance that these expectations will prove to be correct or that any forward-looking results will occur or be realized. Nothing contained in this Presentation is, or should be relied upon as, a promise or representation or warranty as to any future matter, including any matter in respect of the operations or business or financial condition of Petco. All forward-looking statements are based on expectations and assumptions about future events that may or may not be correct or necessarily take place and that are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Petco. Forward-looking statements are subject to a number of risks, uncertainties and other factors that could cause actual results or events to differ materially from the potential results or events discussed in the forward-looking statements, including, without limitation, those identified in this earnings release as well as the following: (i) increased competition (including from multi-channel retailers and e-Commerce providers); (ii) reduced consumer demand for our products and/or services; (iii) our reliance on key vendors; (iv) our ability to attract and retain qualified employees; (v) risks arising from statutory, regulatory and/or legal developments; (vi) macroeconomic pressures in the markets in which we operate including inflation; (vii) failure to effectively manage our costs; (viii) our reliance on our information technology systems; (ix) our ability to prevent or effectively respond to a privacy or security breach; (x) our ability to effectively manage or integrate strategic ventures, alliances or acquisitions and realize the anticipated benefits of such transactions; (xi) economic or regulatory developments that might affect our ability to provide attractive promotional financing; (xii) business interruptions and other supply chain issues; (xiii) catastrophic events, political tensions, conflicts and wars (such as the ongoing conflict in Ukraine), health crises, and pandemics; (xiv) our ability to maintain positive brand perception and recognition; (xv) product safety and quality concerns; (xvi) changes to labor or employment laws or regulations; (xvii) our ability to effectively manage our real estate portfolio; (xviii) constraints in the capital markets or our vendor credit terms; (xix) changes in our credit ratings; and (xx) the other risks, uncertainties and other factors identified under “Risk Factors” and elsewhere in Petco’s Securities and Exchange Commission filings. The occurrence of any such factors could significantly alter the results set forth in these statements.

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

Included in this Presentation are certain financial measures that are not calculated in accordance with U.S. generally accepted accounting principles (“GAAP”) that are designed to supplement, and not substitute, Petco’s financial information presented in accordance with GAAP, including, but not limited to, Adjusted EBITDA, Trailing Twelve Month Adjusted EBITDA, Adjusted EPS, and Free Cash Flow. The non-GAAP measures as defined by Petco may not be comparable to similar non-GAAP measures presented by other companies. The presentation of such measures, which may include adjustments to exclude non-recurring items, should not be construed as an inference that Petco’s future results, cash flows, or leverage will be unaffected by other nonrecurring items. Refer to information about the non-GAAP measures contained in this Presentation. This Presentation also includes forward-looking estimates of Adjusted EBITDA and Adjusted EPS as part of our financial guidance. We do not reconcile these non-GAAP measures for future periods to their most comparable GAAP measures due to the uncertainty and potential variability of reconciling items. Because such items cannot be reasonably predicted with the level of precision required, we are unable to provide a reconciliation of these non-GAAP measures without unreasonable effort. Forward-looking estimates of Adjusted EBITDA and Adjusted EPS are estimated in a manner consistent with the relevant definitions and assumptions noted herein.

THIRD QUARTER 2022 KEY MESSAGES

Demonstrated strategic progress to further differentiate Petco's competitive, one-of-one ecosystem while continuing to drive operational excellence.

16th consecutive quarter of comparable sales growth and 15th consecutive quarter of active customer growth.

Continued top-line strength with net revenue growth of 4%, comparable sales growth of 4% year-over-year and 20% on a two-year basis.

Total services growth of 14% year-over-year and 38% on a two-year basis driven by ongoing momentum in vet and grooming.

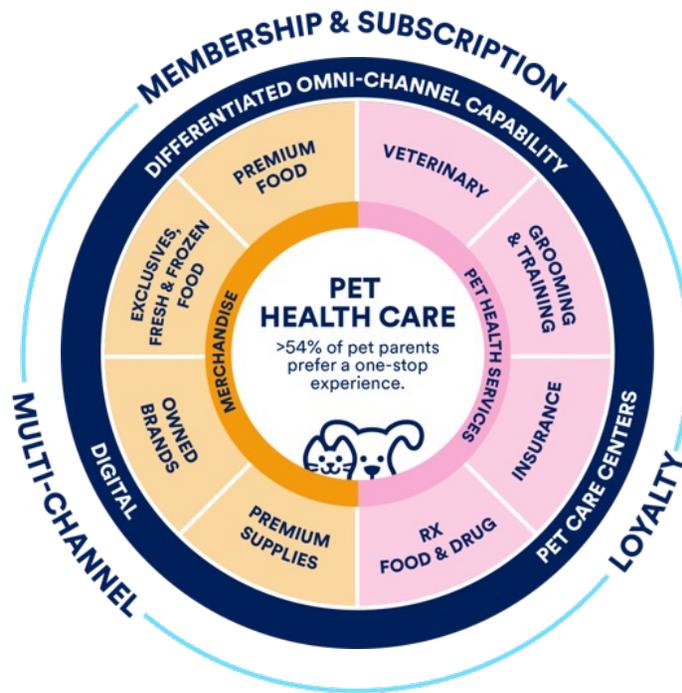
Digital sales up 10% year-over-year and 42% on a two-year basis.

Acceleration in Vital Care subscription growth. Members among highest spending customers and delivering 3.5x higher LTV than average customers.

Strong cash flow performance in the quarter highlighted by a 55% increase in free cash flow¹ over the prior year and a near break-even level of free cash flow¹ year to date.



Our ecosystem and customer acquisition engine continue to deliver competitive advantages



2 YR Comp Growth

20%

Net New Customers¹

>325K

Total Active Customers¹

25.0M

Powerful ecosystem continues to win with our highest value customers



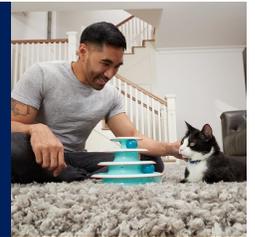
+56%

Growth in Recurring Customer Revenue¹



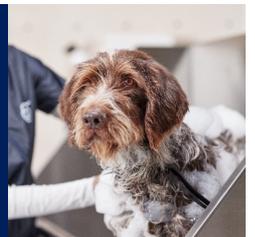
+400K

Active Vital Care Members



~1.7M

Grooming & Nutrition Perks Members



¹ Recurring customer revenue includes enterprise sales for customers who participated in any of our recurring revenue programs during the preceding twelve months, which include: repeat delivery, Pupbox, Vital Care and insurance.

Petco's purpose in action

Petco Partners

Celebrated Latine Heritage Month, Disability Awareness Month, and Halloween across our support centers, distribution centers and pet care centers.

Petco Love

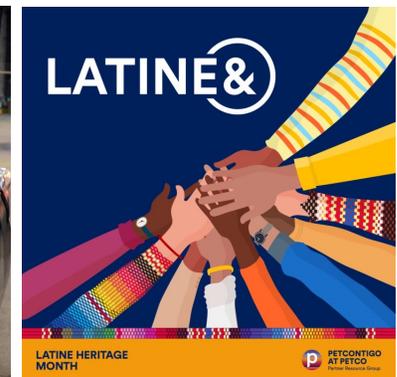
Delivered against our 1 million free vaccine commitment in partnership with Merck, and recommitted to another 1 million.

Saved over 98K pet lives in the quarter and reunited over 13K pets with their loving families to date through Petco Love Lost.

Hosted Houston Mega Adoption creating 1058 new pet families in the local community.

New Cancer Fund

Yummy Memorial Pet Cancer fund to help support our own Petco partners who are unable to afford this costly treatment for their pets with cancer – launching 2023.



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

BALANCING GROWTH WITH OPERATIONAL EXECUTION IN UNCERTAIN ENVIRONMENT

	Q3'22 Results	
	Results	B/(W) Q3'21
Net Revenue (\$B)	\$1.5	+4%
Gross Margin %	39.8%	(139) bps
Adj. EBITDA ¹ (\$M)	\$138	-1%
Adj. EPS ¹	\$0.16	\$(0.04)
Net Debt ¹ / TTM Adj. EBITDA ¹	2.6x	0%
Free Cash Flow ¹ (\$M)	\$33	+55%

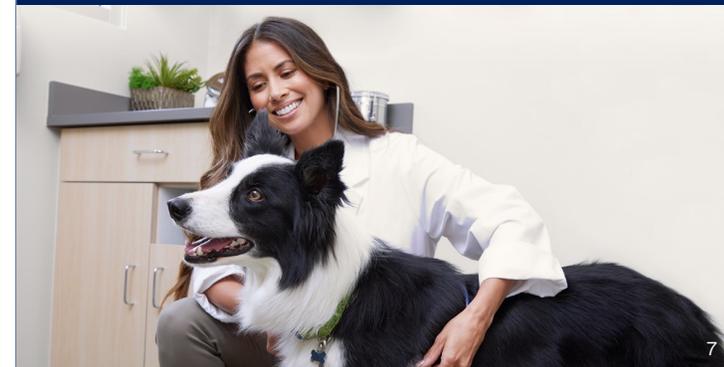
Q3'22 key highlights

Revenue growth driven by broad based strength:

- Services & Vet: up **14%** y/y and **38%** on a 2-year stack
- Digital: up **10%** y/y and **42%** on a 2-year stack
- B&M Merchandise: up **1%** y/y and **12%** on a 2-year stack

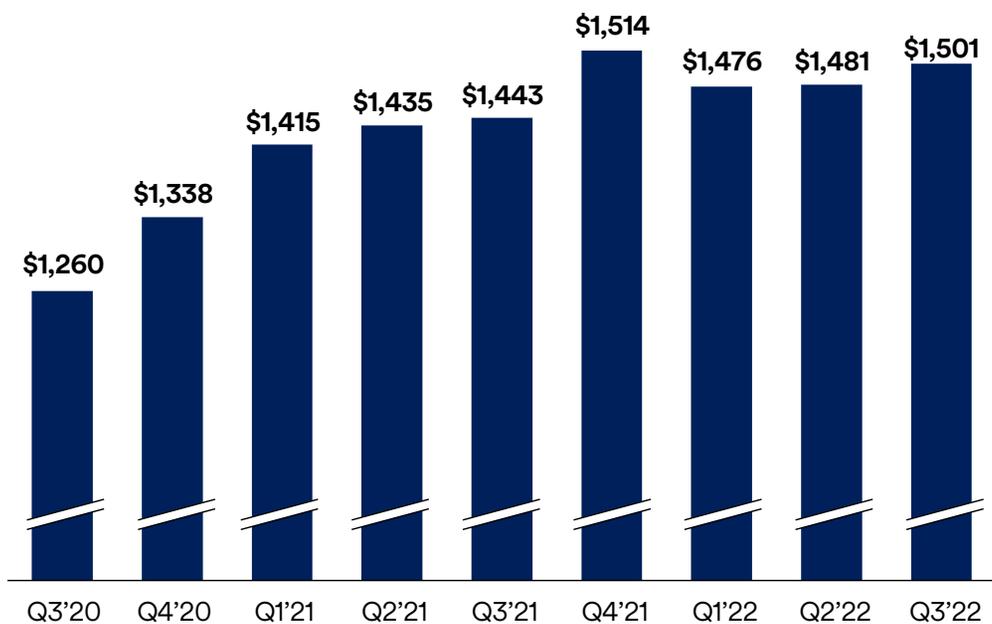
Maintaining focus on driving operational excellence while investing for long-term, profitable growth.

Announced collaborations with Nationwide Insurance and Homes and Villas by Marriott Bonvoy.



STRONG TRACK RECORD OF DELIVERING GROWTH

NET REVENUE (\$M)



Revenue Growth Y/Y

15% 16% 27% 19% 15% 13% 4% 3% 4%

Comp Sales Growth

16% 17% 28% 20% 15% 14% 5% 4% 4%

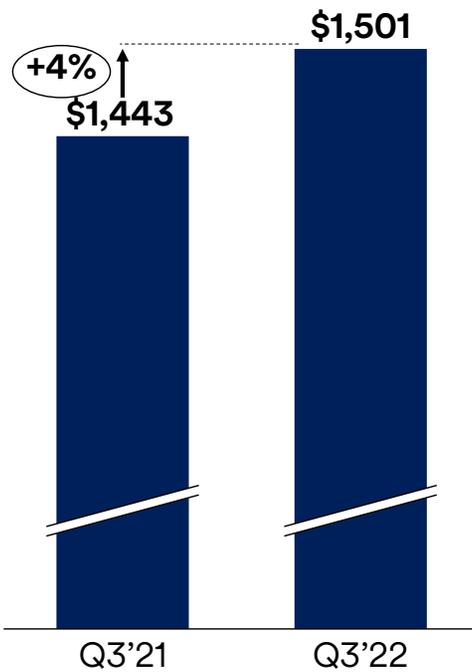
2 Yr Comp Sales Growth

20% 21% 30% 30% 32% 30% 33% 23% 20%

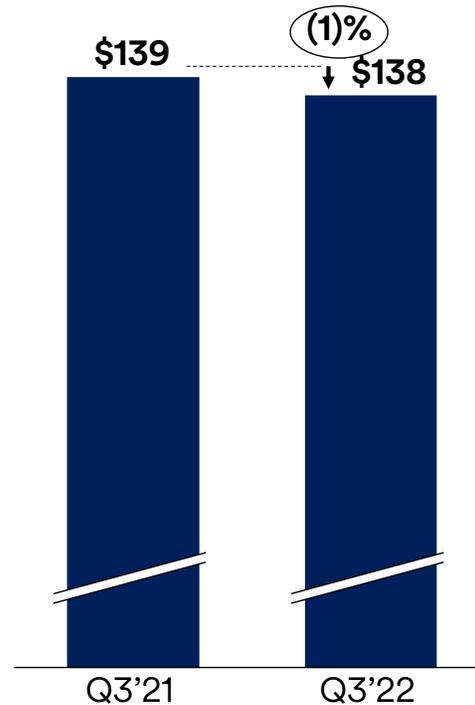


DELIVERED SOLID Q3'22 REVENUE GROWTH

Net Revenue (\$M)



Adjusted EBITDA¹ (\$M)



Key growth highlights

Revenue growth was 4% while adjusted EBITDA was nearly flat:

- Services strength, driven by grooming demand and vet buildout
- Consumables continued to surge with sales growing 12% year-over-year, and 33% on two-year stack



2022 GUIDANCE

Guidance ²			
	Reaffirmed / Updated	Previous	
2022	Revenue (\$B)	\$5.975B to \$6.05B	\$5.975B to \$6.05B
	Adj. EBITDA ¹ (\$M)	\$580M to \$595M	\$580M to \$595M
	Adj. EPS ¹	\$0.75 - \$0.79	\$0.77 - \$0.81
	Capital Expenditures	\$250M - \$275M	\$250M - \$275M



Focused on driving long-term profitable growth while managing short-term challenges

¹ Adjusted EBITDA and Adjusted EPS are non-GAAP financial measures and have not been reconciled to the most comparable GAAP outlook because it is not possible to do so without unreasonable efforts due to the uncertainty and potential variability of reconciling items, which are dependent on future events and often outside of management's control and which could be significant. Because such items cannot be reasonably predicted with the level of precision required, we are unable to provide outlook for the comparable GAAP measures. Forward-looking estimates of Adjusted EBITDA and Adjusted EPS are made in a manner consistent with the relevant definitions and assumptions noted herein.

² Guidance updated as of November 30, 2022. All guidance is subject to change without notice depending on a number of factors, including economic conditions, currency rates, the tax and regulatory landscape and other factors that are beyond Petco's control. Petco undertakes no obligation to affirm or update its guidance.

NON-GAAP MEASURES AND OTHER DEFINITIONS



Non-GAAP Measures and Other Definitions

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

Adjusted EBITDA: Adjusted EBITDA, including Trailing Twelve Month Adjusted EBITDA, is considered a non-GAAP financial measure under the Securities and Exchange Commission's (SEC) rules because it excludes certain amounts included in net income calculated in accordance with GAAP. Management believes that Adjusted EBITDA is a meaningful measure to share with investors because it facilitates comparison of the current period performance with that of the comparable prior period. In addition, Adjusted EBITDA affords investors a view of what management considers to be Petco's core operating performance as well as the ability to make a more informed assessment of such operating performance as compared with that of the prior period. Please see the company's Annual Report on Form 10-K filed on March 24, 2022 with the SEC for additional information on Adjusted EBITDA. The tables on pages 13 and 14 of this Presentation reflect the calculation of Adjusted EBITDA for the thirteen and fifty-two week period ended October 29, 2022 compared to the prior year thirteen and fifty-two week period ended October 30, 2021, as well as the twelve-month period ended January 29, 2022.

Adjusted Net Income and Adjusted EPS: Adjusted Net Income and Adjusted diluted earnings per share attributable to Petco common stockholders (Adjusted EPS) are considered non-GAAP financial measures under the SEC's rules because they exclude certain amounts included in the net income attributable to Petco common stockholders and diluted earnings per share attributable to Petco common stockholders calculated in accordance with GAAP. Management believes that Adjusted Net Income and Adjusted EPS are meaningful measures to share with investors because they facilitate comparison of the current period performance with that of the comparable prior period. In addition, Adjusted Net Income and Adjusted EPS afford investors a view of what management considers to be Petco's core earnings performance as well as the ability to make a more informed assessment of such earnings performance with that of the prior period. The table on page 15 of this Presentation reflect the calculation of Adjusted Net Income and Adjusted EPS for the thirteen weeks ended October 29, 2022 compared to the thirteen weeks ended October 30, 2021.

Free Cash Flow: Free cash flow is a non-GAAP financial measure that is calculated as net cash provided by operating activities less cash paid for fixed assets. Management believes that free cash flow, which measures the ability to generate additional cash from business operations, is an important financial measure for use in evaluating the company's financial performance. The table on page 16 of this Presentation reflects the calculation of free cash flow for the thirteen and thirty-nine weeks ended October 29, 2022 compared to the thirteen and thirty-nine weeks ended October 30, 2021.

Net Debt: Net Debt is a non-GAAP financial measure that is calculated as the sum of current and non-current debt, less cash and cash equivalents. Management considers this adjustment useful because it reduces the volatility of total debt caused by fluctuations between cash paid against the company's revolving credit facility and cash held on hand in cash and cash equivalents. The table on page 17 reflects the calculation of Net Debt as of the period ended October 29, 2022 compared to the prior quarters ended January 29, 2022 and October 30, 2021.

Total Active Customers: Total Active Customers is the total number of customers (including Pals members and eComm customers) trackable by certain personal information that have made at least one transaction with us during the prior 12-month period. It reflects the inflow of new customers as well as the outflow of customers who have not made a transaction during the prior 12-month period. Net New Customers is the change in Total Active Customers between this quarter end and the prior quarter end. Previously, Total Active Customers and Net New Customers included Pals members whose transactions were tracked by member numbers only as opposed to other personal information. Currently, only Pals members accounts with certain personal information are counted.

Non-GAAP Measures: Adjusted EBITDA*

(dollars in thousands)	13 Weeks Ended	
	October 29, 2022	October 30, 2021
Reconciliation of Net Income Attributable to Class A and B-1 Common Stockholders to Adjusted EBITDA		
Net income attributable to Class A and B-1 common stockholders	\$ 19,920	\$ 52,752
Add (deduct):		
Interest expense, net	27,177	18,751
Income tax expense	4,161	14,095
Depreciation and amortization	48,029	42,792
Income from equity method investees	(2,627)	(2,637)
Asset impairments and write offs	930	3,228
Equity-based compensation	15,775	13,381
Other non-operating income	(576)	(19,773)
Mexico joint venture EBITDA (1)	7,040	6,661
Store pre-opening expenses	3,931	4,222
Store closing expenses	1,310	1,264
Non-cash occupancy-related costs (2)	2,496	1,540
Acquisition-related integration costs (3)	1,592	—
Other costs (4)	8,397	2,233
Adjusted EBITDA	\$ 137,555	\$ 138,509
Net sales	\$ 1,501,220	\$ 1,443,264
Net margin (5)	1.3%	3.7%
Adjusted EBITDA Margin	9.2%	9.6%

Non-GAAP Measures: Trailing Twelve Month Adjusted EBITDA*

(dollars in thousands)	Trailing Twelve Months		
	October 29, 2022	January 29, 2022	October 30, 2021
Reconciliation of Net Income Attributable to Class A and B-1 Common Stockholders to Adjusted EBITDA			
Net income attributable to Class A and B-1 common stockholders	\$ 87,063	\$ 164,417	\$ 129,264
Add (deduct):			
Interest expense, net	87,358	77,335	108,117
Income tax expense	30,488	53,473	53,984
Depreciation and amortization	190,393	172,431	171,512
Income from equity method investees	(11,214)	(10,883)	(11,020)
Loss on debt extinguishment and modification	—	20,838	38,387
Asset impairments and write offs	7,299	10,918	13,873
Equity-based compensation	53,666	49,265	41,942
Other non-operating loss (income)	39,806	(34,497)	(64,934)
Mexico joint venture EBITDA (1)	28,633	26,837	25,178
Store pre-opening expenses	14,119	14,765	13,957
Store closing expenses	5,750	5,028	5,164
Non-cash occupancy-related costs (2)	9,526	8,114	7,715
Acquisition-related integration costs (3)	14,687	—	—
Other costs (4)	26,637	33,437	34,788
Adjusted EBITDA	\$ 584,211	\$ 591,478	\$ 567,927
Net sales	\$ 5,972,365	\$ 5,807,149	\$ 5,630,505
Net margin (5)	1.5%	2.8%	2.3%
Adjusted EBITDA Margin	9.8%	10.2%	10.1%

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

(in thousands, except per share amounts)

Reconciliation of Diluted EPS to Adjusted EPS	13 Weeks Ended			
	October 29, 2022		October 30, 2021	
	Amount	Per share	Amount	Per share
Net income attributable to common stockholders / diluted EPS	\$ 19,920	\$ 0.07	\$ 52,752	\$ 0.20
Add (deduct):				
Income tax expense	4,161	0.02	14,095	0.05
Asset impairments and write offs	930	0.00	3,228	0.01
Equity-based compensation	15,775	0.06	13,381	0.05
Other non-operating income	(576)	(0.00)	(19,773)	(0.08)
Store pre-opening expenses	3,931	0.02	4,222	0.02
Store closing expenses	1,310	0.00	1,264	0.00
Non-cash occupancy-related costs (2)	2,496	0.01	1,540	0.01
Acquisition-related integration costs (3)	1,592	0.01	—	—
Other costs (4)	8,397	0.03	2,233	0.01
Adjusted pre-tax income / diluted earnings per share	\$ 57,936	\$ 0.22	\$ 72,942	\$ 0.27
Income tax expense at 26% normalized tax rate	15,063	0.06	18,965	0.07
Adjusted Net Income / Adjusted EPS	\$ 42,873	\$ 0.16	\$ 53,977	\$ 0.20

Non-GAAP Measures: Free Cash Flow

(in thousands)

	13 Weeks Ended		39 Weeks Ended	
	October 29, 2022	October 30, 2021	October 29, 2022	October 30, 2021
Net cash provided by operating activities	\$ 109,377	\$ 86,040	\$ 209,463	\$ 288,444
Cash paid for fixed assets	(75,884)	(64,447)	(212,074)	(164,330)
Free Cash Flow	\$ 33,493	\$ 21,593	\$ (2,611)	\$ 124,114

Non-GAAP Measures: Net Debt

(dollars in thousands)	October 29, 2022	January 29, 2022	October 30, 2021
Total debt:			
Senior secured credit facilities, net, including current portion	\$ 1,648,335	\$ 1,657,390	\$ 1,660,423
Finance leases, including current portion	29,986	29,816	14,828
Total debt	1,678,321	1,687,206	1,675,251
Less: cash and cash equivalents	(148,731)	(211,602)	(221,484)
Net Debt	\$ 1,529,590	\$ 1,475,604	\$ 1,453,767
Adjusted EBITDA (TTM)	\$ 584,211	\$ 591,478	\$ 567,927
Net Debt / Adjusted EBITDA ratio	2.6x	2.5x	2.6x

Net Sales by Category

(dollars in thousands)	13 Weeks Ended				
	October 29, 2022	October 30, 2021	October 31, 2020	% Change (1 yr)	% Change (2 yr)
Consumables	\$ 720,512	\$ 643,125	\$ 529,989	12%	33%
Supplies and companion animals	575,259	635,278	601,520	(9%)	(4%)
Services and other	205,449	164,861	128,488	25%	53%
Net sales	\$ 1,501,220	\$ 1,443,264	\$ 1,259,997	4%	19%

(dollars in thousands)	39 Weeks Ended				
	October 29, 2022	October 30, 2021	October 31, 2020	% Change (1 yr)	% Change (2 yr)
Consumables	\$ 2,093,510	\$ 1,850,203	\$ 1,548,015	13%	33%
Supplies and companion animals	1,775,149	1,957,022	1,707,884	(9%)	5%
Services and other	589,349	485,567	326,590	21%	70%
Net sales	\$ 4,458,008	\$ 4,292,792	\$ 3,582,489	4%	24%

THANK YOU

petco[®]
THE HEALTH +
WELLNESS CO.

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