UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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 March 31, 2019

☐ **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: **001-38163**

PetIQ, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**35-2554312**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
923 S. Bridgeway Pl. Eagle, Idaho (Address of principal executive offices)	83616 (Zip Code)

208-939-8900
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(g) of the Act: None

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☐
Emerging growth company ☒	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

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

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Class A Common Stock, $0.001 par value	**PETQ**	**The Nasdaq Global Select Market**

As of May 8, 2019, we had 22,361,504 shares of Class A common stock and 5,840,196 shares of Class B common stock outstanding.

PetIQ, Inc.

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PetIQ, Inc.

Condensed Consolidated Balance Sheets
(Unaudited, $'s in 000's except for share and per share amounts)

	March 31, 2019	December 31, 2018
Current assets		
Cash and cash equivalents	$ 54,367	$ 66,360
Accounts receivable, net	65,466	45,007
Inventories	112,539	92,142
Other current assets	4,313	4,212
Total current assets	236,685	207,721
Property, plant and equipment, net	26,811	27,335
Operating lease right of use assets	9,860	—
Deferred tax assets	46,585	43,946
Other non-current assets	2,667	2,857
Intangible assets, net	87,366	88,546
Goodwill	125,279	125,029
Total assets	$ 535,253	$ 495,434
Liabilities and equity		
Current liabilities		
Accounts payable	$ 71,023	$ 54,768
Accrued wages payable	4,158	5,295
Accrued interest payable	607	728
Other accrued expenses	919	1,154
Current portion of operating leases	2,862	—
Current portion of long-term debt and finance leases	2,446	2,251
Total current liabilities	82,015	64,196
Operating leases, less current installments	7,170	—
Long-term debt	115,274	107,418
Finance leases, less current installments	1,944	2,319
Other non-current liabilities	268	524
Total non-current liabilities	124,656	110,261
Commitments and contingencies		
Equity		
Additional paid-in capital	271,916	262,219
Class A common stock, par value $0.001 per share, 125,000,000 shares authorized, 22,156,706 and 21,619,875 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	22	22
Class B common stock, par value $0.001 per share, 100,000,000 shares authorized, 6,027,847 and 6,546,791 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively	6	7
Accumulated deficit	(2,839)	(4,450)
Accumulated other comprehensive loss	(941)	(1,316)
Total stockholders' equity	268,164	256,481
Non-controlling interest	60,418	64,496
Total equity	328,582	320,977
Total liabilities and equity	$ 535,253	$ 495,434

See accompanying notes to the condensed consolidated financial statements

PetIQ, Inc.
Condensed Consolidated Statements of Income (loss)
(Unaudited, $'s in 000's except for share and per share amounts)

	Three Months Ended	
	March 31, 2019	**March 31, 2018**
Product sales	**$** 126,084	$ 97,851
Services revenue	22,352	17,215
Total net sales	148,436	115,066
Cost of products sold	108,064	84,586
Cost of services	15,642	14,597
Total cost of sales	123,706	99,183
Gross profit	24,730	15,883
Operating expenses		
General and administrative expenses	20,538	18,968
Contingent note revaluations (gain) loss	(680)	141
Operating income (loss)	4,872	(3,226)
Interest expense, net	(1,937)	(1,765)
Foreign currency loss, net	(122)	(78)
Other income, net	13	45
Total other expense, net	(2,046)	(1,798)
Pretax net income (loss)	2,826	(5,024)
Income tax (expense) benefit	(500)	1,067
Net income (loss)	2,326	(3,957)
Net income (loss) attributable to non-controlling interest	715	(1,929)
Net income (loss) attributable to PetIQ, Inc.	**$** 1,611	$ (2,028)
Net income (loss) per share attributable to PetIQ, Inc. Class A common stock		
-Basic	**$** 0.07	(0.14)
-Diluted	**$** 0.07	(0.14)
Weighted Average shares of Class A common stock outstanding		
-Basic	21,800,033	14,574,883
-Diluted	21,977,898	14,574,883

See accompanying notes to the condensed consolidated financial statements

PetIQ, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited, $'s in 000's)

	Three Months Ended	
	March 31, 2019	**March 31, 2018**
Net income (loss)	**$** 2,326	$ (3,957)
Foreign currency translation adjustment	539	436
Comprehensive income (loss)	2,865	(3,521)
Comprehensive income attributable to non-controlling interest	848	(1,767)
Comprehensive income (loss) attributable to PetIQ	**$** 2,017	$ (1,754)

See accompanying notes to the condensed consolidated financial statements

PetIQ, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited, $'s in 000's)

	For the Three Months Ended March 31,	
	2019	**2018**
Cash flows from operating activities		
Net income (loss)	$ 2,326	$ (3,957)
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Depreciation and amortization of intangible assets and loan fees	3,091	2,522
Foreign exchange (gain) loss on liabilities	—	53
(Gain) Loss on disposition of property, plant, and equipment	(34)	(20)
Stock based compensation expense	1,544	698
Deferred tax adjustment	500	(1,067)
Contingent note revaluations	(680)	141
Other non-cash activity	17	(334)
Changes in assets and liabilities		
Accounts receivable	(20,444)	(28,997)
Inventories	(20,366)	(27,238)
Prepaid expenses and other assets	21	16
Accounts payable	17,335	22,508
Accrued wages payable	(1,150)	(482)
Other accrued expenses	(359)	(2,274)
Net cash used in operating activities	(18,199)	(38,431)
Cash flows from investing activities		
Proceeds from disposition of property, plant, and equipment	47	57
Purchase of property, plant, and equipment	(897)	(2,224)
Business acquisitions (net of cash acquired)	—	(91,986)
Net cash used in investing activities	(850)	(94,153)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	134,134	162,278
Principal payments on long-term debt	(125,717)	(59,533)
Tax Distributions to LLC Owners	(1,378)	(540)
Principal payments on finance lease obligations	(371)	(242)
Payment of deferred financing fees and debt discount	(50)	(2,613)
Exercise of options to purchase common stock	315	—
Net cash provided by financing activities	6,933	99,350
Net change in cash and cash equivalents	(12,116)	(33,234)
Effect of exchange rate changes on cash and cash equivalents	123	52
Cash and cash equivalents, beginning of period	66,360	37,896
Cash and cash equivalents, end of period	$ 54,367	$ 4,714

See accompanying notes to the condensed consolidated financial statements

PetIQ, Inc.
Condensed Consolidated Statements of Cash Flows, Continued
(Unaudited, $'s in 000's)

Supplemental cash flow information	For the Three Months Ended March 31, 2019	2018
Interest paid	$ 2,146	$ 831
Property, plant, and equipment acquired through accounts payable	(51)	(511)
Finance lease additions	210	34
Net change of deferred tax asset from step-up in basis	3,138	8,981
Income taxes paid	176	46
Accrued tax distribution	257	434
Non cash consideration - Contingent notes	—	6,900
Non cash consideration - Guarantee note	—	10,000
Non cash consideration - Issuance of Class B common stock and LLC Interests	—	90,031

PetIQ, Inc.
Condensed Consolidated Statements of Equity
(Unaudited, $'s in 000's)

	Accumulated Deficit	Accumulated Other Comprehensive Loss	Class A Common		Class B Common		Additional Paid-in Capital	Non-controlling Interest	Total Equity
			Shares	Dollars	Shares	Dollars			
Balance - January 1, 2019	$ (4,450)	$ (1,316)	21,619,875	$ 22	6,546,791	$ 7	$ 262,219	$ 64,496	$ 320,977
Exchange of LLC Interests held by LLC Owners	—	(31)	518,944	1	(518,944)	(1)	5,049	(5,018)	—
Net increase in deferred tax asset from LLC Interest transactions	—	—	—	—	—	—	3,138	—	3,138
Accrued tax distributions	—	—	—	—	—	—	—	(257)	(257)
Other comprehensive loss	—	406	—	—	—	—	—	133	539
Stock based compensation expense	—	—	—	—	—	—	1,195	349	1,544
Exercise of Options to purchase Common Stock	—	—	16,553	0	—	—	315	—	315
Issuance of stock for vesting of RSU's	—	—	1,334	0	—	—	—	—	0
Net Income	1,611	—	—	—	—	—	—	715	2,326
Balance - March 31, 2019	$ (2,839)	$ (941)	22,156,706	$ 22	6,027,847	$ 6	$ 271,916	$ 60,418	$ 328,582

	Accumulated Deficit	Accumulated Other Comprehensive Loss	Class A Common		Class B Common		Additional Paid-in Capital	Non-controlling Interest	Total Equity
			Shares	Dollars	Shares	Dollars			
Balance - January 1, 2018	$ (3,493)	$ (687)	13,222,583	$ 13	8,268,188	$ 8	$ 70,873	$ 38,130	$ 104,844
ASC 606 adoption, net of tax	(175)	—	—	—	—	—	—	(110)	(285)
Issuance of equity for business combination	—	112	—	—	3,042,794	3	36,281	53,635	90,031
Exchange of LLC Interests held by LLC Owners	—	(126)	2,909,460	3	(2,909,460)	(3)	21,385	(21,259)	—
Net increase in deferred tax asset from LLC Interest transactions	—	—	—	—	—	—	8,981	—	8,981
Accrued tax distributions	—	—	—	—	—	—	—	(434)	(434)
Other comprehensive loss	—	274	—	—	—	—	—	162	436
Stock based compensation expense	—	—	—	—	—	—	396	302	698
Net loss	(2,028)	—	—	—	—	—	—	(1,929)	(3,957)
Balance - March 31, 2018	$ (5,696)	$ (427)	16,132,043	$ 16	8,401,522	$ 8	$ 137,916	$ 68,497	$ 200,314

See accompanying notes to the condensed consolidated financial statements

PetIQ Inc.
Notes to the Condensed Consolidated Financial Statements (unaudited)

Note 1 – Principal Business Activity and Significant Accounting Policies

Principal Business Activity and Principles of Consolidation

PetIQ is a leading, rapidly growing pet health and wellness company. Through over 60,000 points of distribution across retail and e-commerce channels, PetIQ and VIP Petcare, a wholly-owned subsidiary, have a mission to make pet lives better by educating pet parents on the importance of offering regular, convenient access and affordable choices for pet preventative and wellness veterinary products and services. PetIQ believes that pets are an important part of the family and deserve the best products and care we can give them.

We are the managing member of PetIQ Holdings, LLC ("Holdco"), a Delaware limited liability company, which is the sole member of PetIQ, LLC ("Opco") and, through Holdco, operate and control all the business and affairs of Opco.

The condensed consolidated financial statements as of March 31, 2019 and December 31, 2018 and for the three months ended March 31, 2019 and 2018 are unaudited. The condensed consolidated balance sheet as of December 31, 2018 has been derived from the audited financial statements at that date but does not include all of the disclosures required by U.S. GAAP. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements as of and for the year ended December 31, 2018 and related notes thereto included in most recent annual report and filed with the Securities and Exchange Commission ("SEC") on Form 10-K on March 12, 2019. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of sales and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of property, plant, and equipment and intangible assets; the valuation of property, plant, and equipment, intangible assets and goodwill, the valuation of assets and liabilities in connection with acquisitions, the valuation of deferred tax assets and liabilities, the valuation of inventories, and reserves for legal contingencies.

Foreign Currencies

The Company operates subsidiaries in foreign countries who use the local currency as the functional currency. The Company translates its foreign subsidiaries' assets and liabilities denominated in foreign currencies into U.S. dollars at current rates of exchange as of the balance sheet date and income and expense items at the average exchange rate for the reporting period. Translation adjustments resulting from exchange rate fluctuations are recorded in the cumulative translation account, a component of accumulated other comprehensive income. The Company records gains and losses from changes in exchange rates on transactions denominated in currencies other than each reporting location's functional currency in net income for each period.

Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The accounting guidance establishes a three-tiered hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The categorization of a financial instrument within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The carrying amounts of the Company's financial instruments, including cash, accounts receivable, accounts payable and accrued liabilities, are at cost, which approximates fair value due to their relatively short maturities. The guarantee notes are carried at cost, which approximates fair value as the stated interest rate is consistent with current market rates. Our term loan and revolving credit facility bear interest at a variable interest rate plus an applicable margin and, therefore, carrying amounts approximate fair value.

The following table presents liabilities measured at fair value on a recurring basis:

$'s in 000's	**March 31, 2019**	**December 31, 2018**
Liabilities:		
2019 Contingent note	$ 2,000	$ 2,680

In connection with the acquisition of Community Veterinary Clinics, LLC d/b/a VIP Petcare ("VIP" and such acquisition, the "VIP Acquisition") a portion of the purchase price was structured in the form of Contingent Notes (the "Contingent Notes") that vest based on the combined Company EBITDA targets for the years ending December 31, 2018 and 2019 ("Measurement Dates"). See Note 2 – "Business Combinations" for more information regarding the VIP Acquisition. The Company is required to reassess the fair value of the Contingent Notes at each reporting period. As of December 31, 2018, $7.5 million was payable pursuant to the 2018 Contingent Note, subject to the same payment terms described below. As such, the portion of the liability as it relates to the 2018 Contingent Note became fixed as of December 31, 2018.

For the 2019 Contingent Note, a Monte Carlo simulation method was utilized in estimating the fair value (Level 3) of the Contingent Notes. The simulation model is a numerical algorithm that generates thousands of scenarios for the future EBITDA in order to assess the probability of achieving the EBITDA hurdles. The valuation model simulates the last twelve months EBITDA from the Valuation Date to the end of each Measurement Date in one 'jump'. The Contingent Notes were valued within a risk-neutral option pricing framework with the real growth rate adjusted for the market price of EBITDA risk. The Company used the WACC less risk-free rate as a proxy for the EBITDA risk premium.

Although the Company believes its estimates and assumptions are reasonable, different assumptions, including those regarding the operating results of the Company, or changes in the future may result in different estimated amounts.

The contingent consideration is included in long-term debt in the accompanying condensed consolidated balance sheets. The Company will satisfy this obligation with a cash payment to the sellers due in July 2023 upon the achievement of the respective milestones discussed above. The Contingent Notes will bear interest at a fixed rate of 6.75%, beginning upon the achievement of the respective milestones discussed above.

The following table summarizes the Level 3 activity related to the Contingent Notes:

	Three months ended	
$'s in 000's	**March 31, 2019**	**March 31, 2018**
Balance at beginning of the period	$ 2,680	$ —
Fair value of contingent consideration at VIP Acquisition date	—	6,900
Change in fair value of contingent consideration	(680)	141
Transfer out of level 3	—	—
Balance at the end of the period	$ 2,000	$ 7,041

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with an original maturity of three months or less at the date of acquisition. All credit card, debit card and electronic transfer transactions that process in less than seven days are classified as cash and cash equivalents. The Company maintains its cash accounts in various deposit accounts, the balances of which at times exceeded federal deposit insurance limits during the periods presented.

Receivables and Credit Policy

Trade receivables due from customers are uncollateralized customer obligations due under normal trade terms generally requiring payment within 45 days from the invoice date. Accounts receivable are stated at the amount billed to the customer, net of discounts and estimated deductions. The Company does not have a policy for charging interest on overdue customer account balances. The Company provides an allowance for doubtful accounts equal to estimated uncollectible amounts. The Company's estimate is based on historical collection experience and a review of the current status of trade accounts receivable. Payments of trade receivables are allocated to the specific invoices identified on the customer's remittance advice.

Other receivables consists of various receivables due from vendors, banking partners, and notes receivable from suppliers. Non-current portions of these other receivables are included in other non-current assets on the consolidated balance sheets.

Accounts receivable consists of the following as of:

$'s in 000's	**March 31, 2019**	**December 31, 2018**
Trade receivables	$ 61,618	$ 43,531
Other receivables	4,164	1,764
	65,782	45,295
Less: Allowance for doubtful accounts	(243)	(216)
Non-current portion of receivables	(73)	(72)
Total accounts receivable, net	$ 65,466	$ 45,007

Inventories

Inventories are stated at the lower of cost or net realizable value, which approximate the first-in first-out ("FIFO") method and includes earned rebate amounts. The Company maintains reserves for estimated obsolete or unmarketable inventory based on the difference between the cost of inventory and its estimated net realizable value. In estimating the reserves, management considers factors such as excess or slow-moving inventories, product expiration dating, and

market conditions. Changes in these conditions may result in additional reserves. Major components of inventories consist of the following as of:

$'s in 000's	**March 31, 2019**	December 31, 2018
Raw materials	$ 6,445	$ 6,106
Work in progress	54	94
Finished goods	106,040	85,942
Total inventories	$ 112,539	$ 92,142

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost. Expenditures for improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation and amortization is provided using the straight-line method, based on useful lives of the assets, except for leasehold improvements and capital leased assets which are depreciated over the shorter of the expected useful life or the lease term. Depreciation and amortization expense is recorded in cost of sales and general and administrative expenses in the condensed consolidated statements of operations, depending on the use of the asset. The estimated useful lives of property, plant, and equipment are as follows:

Computer equipment and software	3 years
Vehicle and vehicle accessories	3-5 years
Buildings	33 years
Equipment	2-15 years
Leasehold improvements	3-15 years
Furniture and fixtures	5-10 years

Revenue Recognition

When Performance Obligations Are Satisfied

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account for revenue recognition. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Company's performance obligations are product sales and the delivery of veterinary services.

Revenue is generally recognized for product sales on a point in time basis when product control is transferred to the customer. In general, control transfers to the customer when the product is shipped or delivered to the customer based upon applicable shipping terms, as the customer can direct the use and obtain substantially all of the remaining benefits from the asset at this point in time.

The Company determined that certain products manufactured to a customers specifications do not have an alternative future use at a reasonable profit margin due to costs associated with reworking, transporting and repackaging these products. These products are produced subject to purchase orders that include an enforceable right to payment. Therefore the Company determined that revenue on these products would be recognized over time, as the products are produced. This represents a minor subset of the products the Company manufactures.

Revenue is recognized for services over time when the service is delivered.

Customer contracts generally do not include more than one performance obligation. When a contract does contain more than one performance obligation, we allocate the contract's transaction price to each performance obligation based on its relative standalone selling price. The standalone selling price for each distinct good is generally determined by directly observable data.

The performance obligations in our contracts are satisfied within one year. As such, we have not disclosed the transaction price allocated to remaining performance obligations as of March 31, 2019.

Significant Payment Terms

Our customer contracts identify the product, quantity, price, payment and final delivery terms. Payment terms usually include early pay discounts. We grant payment terms consistent with industry standards. Although some payment terms may be more extended, no terms beyond one year are granted at contract inception. As a result, we do not adjust the promised amount of consideration for the effects of a significant financing component because the period between our transfer of a promised good or service to a customer and the customer's payment for that good or service will be one year or less.

Shipping

All shipping and handling costs associated with outbound freight are accounted for as fulfillment costs and are included in the cost of sales. This includes shipping and handling costs after control over a product has transferred to a customer.

Variable Consideration

In addition to fixed contract consideration, most contracts include some form of variable consideration. The most common forms of variable consideration include discounts, rebates, and sales returns and allowances. Variable consideration is treated as a reduction in revenue when product revenue is recognized. Depending on the specific type of variable consideration, we use either the expected value or most likely amount method to determine the variable consideration. We believe there will not be significant changes to our estimates of variable consideration when any related uncertainties are resolved with our customers. The Company reviews and updates its estimates and related accruals of variable consideration each period based on the terms of the agreements, historical experience, and any recent changes in the market. Any uncertainties in the ultimate resolution of variable consideration due to factors outside of the Company's influence are typically resolved within a short timeframe therefore not requiring any additional constraint on the variable consideration.

Trade marketing expense, consisting primarily of customer pricing allowances and merchandising funds are offered through various programs to customers and are designed to promote our products. They include the cost of in-store product displays, feature pricing in retailers' advertisements and other temporary price reductions. These programs are offered to our customers both in fixed and variable (rate per case) amounts. The ultimate cost of these programs depends on retailer performance and is subject to management estimates.

Certain retailers require the payment of product introductory fees in order to obtain space for the Company's products on the retailer's store shelves. This cost is typically a lump sum and is determined using the expected value based on the contract between the two parties.

Both trade marketing expense and product introductory fees are recognized as reductions of revenue at the time the transfer of control of the associated products occurs. Accruals for expected payouts, or amounts paid in advance, under these programs are included as other current assets or accounts payable in the Condensed Consolidated Balance Sheet.

Warranties & Returns

PetIQ provides all customers with a standard or assurance type warranty. Either stated or implied, the Company provides assurance the related products will comply with all agreed-upon specifications and other warranties provided under the law. No significant services beyond an assurance warranty are provided to customers.

The Company does not grant a general right of return. However, customers may return defective or non-conforming products. Customer remedies may include either a cash refund or an exchange of the product. As a result, the right of

return and related refund liability is estimated and recorded as a reduction in revenue. This return estimate is reviewed and updated each period and is based on historical sales and return experience.

Contract balances

Contract asset and liability balances as of March 31, 2019 and December 31, 2018 are immaterial. The Company does not have significant deferred revenue or unbilled receivable balances because of transactions with customers.

Cost of Services

Cost of Services are comprised of all service and product costs related to the delivery of veterinary services, including but not limited to, salaries of veterinarians, technicians and other clinic based personnel, transportation and delivery costs, rent, occupancy costs, supply costs, depreciation and amortization of clinic assets, certain marketing and promotional expenses and costs of goods sold.

Research and Development and Advertising Costs

Research and development and advertising costs are expensed as incurred and are included in general and administrative expenses. Research and development costs amounted to $97 thousand and $49 thousand for the three months ended March 31, 2019 and 2018, respectively. Advertising costs were $655 thousand and $594 thousand for the three months ended March 31, 2019 and 2018, respectively. Advertising costs do not include trade marketing programs which are part of net sales.

Income taxes

The Company records a tax provision for the anticipated tax consequences of the reported results of operations. The provision for income taxes is computed using the asset and liability method, under which deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities, and for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the currently enacted tax rates that apply to taxable income in effect for the years in which those tax assets are expected to be realized or settled. The Company may record a valuation allowance, if conditions are applicable, to reduce deferred tax assets to the amount that is believed more likely than not to be realized.

Non-controlling interest

The non-controlling interests on the condensed consolidated statements of income represents the portion of earnings or loss attributable to the economic interest in the Company's subsidiary, Holdco, held by the non-controlling holders of Class B common stock and limited liability company interests in Holdco. Non-controlling interests on the condensed consolidated balance sheet represents the portion of net assets of the Company attributable to the non-controlling holders of Class B common stock and limited liability company interests in Holdco, based on the portion of the LLC Interests owned by holders of Class B common stock and limited liability company interests in Holdco. As of March 31, 2019 and December 31, 2018 the non-controlling interest was approximately 21.4% and 23.2%, respectively.

Litigation

The Company is subject to various legal proceedings, claims, litigation, investigations and contingencies arising out of the ordinary course of business. If the likelihood of an adverse legal outcome is determined to be probable and the amount of loss is estimable, then a liability is accrued in accordance with accounting guidance for Contingencies. If the assessment indicates a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed. The Company consults with both internal and external legal counsel related to litigation.

Adopted Accounting Standard Updates

In February 2016, the FASB issued ASU 2016-02, *Leases*. The Company adopted the provisions of this guidance effective January 1, 2019, using the modified retrospective optional transition method. Therefore, the standard was applied beginning January 1, 2019 and prior periods were not restated. The adoption of the standard did not result in a cumulative-effect adjustment to the opening balance of Retained earnings. The Company elected the package of practical expedients and implemented internal controls and system functionality to enable the preparation of financial information upon adoption. In addition, the Company has elected to apply the practical expedient to not separate the lease and non-lease components for all of the Company's leases.

The adoption of the new standard resulted in the recognition of a right of use asset and short-term and long-term liabilities recorded on the Company's consolidated balance sheet related to operating leases. Accounting for finance leases remained substantially unchanged. In addition, the adoption of the standard did not have a material impact on the Company's results of operations or cash flows.

Note 2 – Business Combination

VIP Acquisition

On January 17, 2018 PetIQ, Inc. completed the acquisition of VIP from VIP Holdings, LLC ("VIPH" or the "Sellers").

The fair value of the consideration is summarized as follows:

$'s in 000's		**Fair value**
Current assets	$	**15,617**
Property, plant, and equipment		**8,885**
Other assets, net		**295**
Intangible assets - Customer relationships (20 year useful life)		**77,200**
Intangible assets - Brand names (10 year useful life)		**9,600**
Goodwill		**112,643**
Total assets		**224,240**
Current liabilities		**22,908**
Capital lease obligations		**3,032**
Total liabilities		**25,940**
Estimated purchase price	$	**198,300**
Cash paid, net of cash acquired	$	**92,082**
LLC Interests and shares of Class B common stock		**90,031**
Guarantee note		**10,000**
Contingent notes		**6,900**
Post-closing working capital adjustment		**(713)**
Estimated fair value of total consideration transferred	$	**198,300**

The definite-lived intangibles primarily relate to customer relationships and brand names. The $86.8 million represents the fair value and will be amortized over the estimated useful lives of the assets through January 2038. Amortization expense for these definite-lived intangible assets for the three ended March 31, 2019 and 2018 was $1.3 million and $1.0 million, respectively.

Goodwill represents the future economic benefits that do not qualify for separate recognition and primarily includes the assembled workforce and other non-contractual relationships, as well as expected future synergies. Approximately $49.8 million of the $112.6 million of goodwill will not be tax deductible, and the remaining balance is expected to be deductible for tax purposes. Goodwill was allocated to the Products and Services segments.

HBH Enterprises

On October 17, 2018, the Company completed the acquisition of HBH Enterprises, LLC ("HBH") (the "HBH Acquisition"). Total consideration, net of cash acquired, was approximately $14.7 million consisting of cash of $1.7 million and equity consideration of approximately $13.0 million. The equity consideration consisted 400,000 LLC interests of Holdco and 400,000 shares of Class B common stock, $0.001 par value per share, of the Company.

The estimate of fair value and purchase price allocation were based on information available at the time of closing the HBH Acquisition and the Company continues to evaluate the underlying inputs and assumptions. The Company is in process of finalizing valuation studies. Accordingly, these preliminary estimates are subject to adjustments during the measurement period, not to exceed one year, based upon new information obtained about facts and circumstances that existed as of the date of closing the HBH Acquisition.The purchase price allocation has been preliminarily allocated as follows:

$'s in 000's		**Preliminary Estimated Fair Value**
Working Capital, net	$	**1,676**
Property, plant, and equipment		**2,686**
Intangible assets - Customer relationships		**3,800**
Goodwill		**7,607**
Total assets		**15,769**
Capital lease obligations		**1,114**
Total liabilities		**1,114**
Estimated purchase price	$	**14,655**
Cash paid, net of cash acquired	$	**1,683**
LLC Interests and shares of Class B common stock		**12,972**
Estimated fair value of total consideration transferred	$	**14,655**

Goodwill represents the future economic benefits that do not qualify for separate recognition and primarily includes the assembled workforce and other non-contractual relationships, as well as expected future synergies. Approximately $5.0 million of the $7.6 million of goodwill will not be tax deductible, and the remaining balance is expected to be deductible for tax purposes. Goodwill was allocated to the Products segment.

Note 3 – Property, Plant, and Equipment

Property, plant, and equipment consists of the following at:

$'s in 000's	**March 31, 2019**	**December 31, 2018**
Leasehold improvements	$ 10,906	$ 10,776
Equipment	14,782	14,477
Vehicles and accessories	4,004	3,989
Computer equipment and software	6,131	5,839
Buildings	2,480	2,479
Furniture and fixtures	1,573	1,547
Land	660	660
Construction in progress	1,041	682
	41,577	40,449
Less accumulated depreciation	(14,766)	(13,114)
Total property, plant, and equipment	$ 26,811	$ 27,335

Depreciation expense related to these assets was $1.7 million and $1.3 million for the three months ended March 31, 2019 and 2018, respectively.

Note 4 – Intangible Assets and Goodwilll

Intangible assets consist of the following at:

$'s in 000's	Useful Lives	March 31, 2019	December 31, 2018
Amortizable intangibles			
Distribution agreement	2 years	$ 3,021	$ 3,021
Certification	7 years	350	350
Customer relationships	12-20 years	82,178	82,124
Patents and processes	10 years	1,994	1,900
Brand names	10-15 years	10,513	10,470
Total amortizable intangibles		98,056	97,865
Less accumulated amortization		(11,206)	(9,835)
Total net amortizable intangibles		86,850	88,030
Non-amortizable intangibles			
Trademarks and other		516	516
Intangible assets, net of accumulated amortization		$ 87,366	$ 88,546

Certain intangible assets are denominated in currencies other than the U.S. Dollar; therefore, their gross and net carrying values are subject foreign currency movements. Amortization expense for three months ended March 31, 2019 and 2018, was $1.3 million and $1.1 million, respectively

Estimated future amortization expense for each of the following years is as follows:

Years ending December 31, *($'s in 000's)*	
Remainder of 2019	$ 3,818
2020	6,642
2021	6,749
2022	6,740
2023	6,265
Thereafter	56,636

The following is a summary of the changes in the carrying value of goodwill for the period from January 1, 2018 to March 31, 2019:

	Reporting Unit		
($'s in 000's)	Products	Services	Total
Goodwill as of January 1, 2018	5,064	—	5,064
Foreign currency translation	(285)	—	(285)
Acquisitions	72,986	47,264	120,250
Goodwill as of December 31, 2018	$ 77,765	$ 47,264	$ 125,029
Foreign currency translation	250	—	250
Goodwill as of March 31, 2019	$ 78,015	$ 47,264	$ 125,279

Note 5 – Debt

A&R Credit Agreement

In connection with the VIP Acquisition, the Company amended and restated its existing revolving credit agreement (the "A&R Credit Agreement") on January 17, 2018, which was subsequently amended in August 2018. The A&R Credit Agreement provides for a secured revolving credit facility of $75 million in the aggregate, at either LIBOR or Base (prime)

interest rates plus an applicable margin. The A&R Credit Agreement matures on January 17, 2023 and contains a lockbox mechanism.

All obligations under the A&R Credit Agreement are unconditionally guaranteed by Holdco and each of its domestic wholly-owned subsidiaries and, subject to certain exceptions, each of its material current and future domestic wholly-owned subsidiaries. All obligations under the A&R Credit Agreement, and the guarantees of those obligations, are secured by substantially all of the assets of each borrower and guarantor under the A&R Credit Agreement, subject to certain exceptions.

Also in connection with the closing of the VIP Acquisition, the Company entered into a term loan credit agreement (the "Term Loan Credit Agreement"). The Term Loan Credit Agreement provides for a secured term loan credit facility of $75 million in aggregate at either LIBOR or Base (prime) interest rates plus an applicable margin. The Term Loan Credit Agreement requires quarterly principal payments, with the full balance due on January 17, 2023.

As of March 31, 2019, the Company had $22.1 million outstanding under the A&R Credit Agreement and $74.4 million under the Term Loan Credit Agreement. The interest rate on the A&R Credit Agreement was 5.5% as a Base Rate loan, the interest rate on the Term Loan Credit Agreement was 7.8% as a LIBOR rate loan. Additionally the Company pays between 0.375% and 0.50% as an unused facility fee, depending on the amount borrowed.

The A&R Credit Agreement and Term Loan Credit Agreement contain certain covenants and restrictions including a fixed charge coverage ratio and a minimum EBITDA target and is secured by collateral consisting of a percentage of eligible accounts receivable, inventories, and machinery and equipment. As of March 31, 2019, the Company was in compliance with these covenants.

Other Debt

The Company entered into a mortgage with a local bank to finance $1.9 million of the purchase price of a commercial building in Eagle, Idaho, in July 2017. The mortgage bears interest at a fixed rate of 4.35% and utilizes a 25 year amortization schedule with a 10 year balloon payment of the balance due at that time.

In connection with the VIP Acquisition, the Company entered into a guarantee note which requires the Company to pay $10.0 million to the sellers on July 17, 2023. The note bears interest at a fixed 6.75% and requires quarterly interest payments. As of December 31, 2018 $7.5 million was payable pursuant to the 2018 Contingent Note and up to $10 million may be payable pursuant to the 2019 Contingent Note. See "Note – 2 Business Combinations". The $7.5 million note requires quarterly interest payments of 6.75% with the balance payable July 17, 2023. The following represents the Company's long-term debt as of:

$'s in 000's	**March 31, 2019**	**December 31, 2018**
Term loans	$ 74,438	$ 74,625
Revolving credit facility	22,067	13,452
Mortgage	1,847	1,859
Contingent notes	2,000	2,680
Earned contingent note	7,500	7,500
Guaranteed note	10,000	10,000
Net discount on debt and deferred financing fees	(1,782)	(1,902)
	$ 116,070	$ 108,214
Less current maturities of long-term debt	(796)	(796)
Total long-term debt	$ 115,274	$ 107,418

Future maturities of long-term debt, excluding the net discount on debt and deferred financing fees, as of March 31, 2019, are as follows:

($'s in 000's)	
Remainder of 2019	$ 597
2020	798
2021	800
2022	802
2023	111,247
Thereafter	1,608

The Company incurred debt issuance costs of $0.1 million related to the A&R Credit Agreement and zero related to the Term Loan during the three months ended March 31, 2019 and $2.4 million and $0.3 million related to the Term Loan and A&R Credit Agreement, respectively, during the three months ended March 31, 2018.

Note 6 – Leases

The Company leases certain real estate for commercial, production, and retail purposes, as well as equipment from third parties. Lease expiration dates are between 2019 and 2025. A portion of leases are denominated in foreign currencies.

On January 1, 2019, the Company adopted ASU No. 2016-02, "Leases (Topic 842)," which requires most leases to be recognized on the balance sheet. The Company adopted the standard using the modified retrospective method and used the effective date as our date of initial adoption. Prior year financial statements were not restated under the new standard and, therefore, those amounts are not presented below. For both operating and finance leases, the Company recognizes a right-of-use asset, which represents the right to use the underlying asset for the lease term, and a lease liability, which represents the present value of our obligation to make payments arising over the lease term.

We elected the short-term lease exemption for all leases that qualify. This means leases having an initial term of twelve months or less are not recorded on the balance sheet and the related lease expense is recognized on a straight-line basis over the term of the lease.

The Company's leases may include options to extend or terminate the lease. These options to extend are included in the lease term when it is reasonably certain that we will exercise that option. Some leases have variable payments, however, because they are not based on an index or rate, they are not included in the ROU assets and liabilities. Variable payments for real estate leases primarily relate to common area maintenance, insurance, taxes and utilities. Variable payments for equipment, vehicles, and leases within supply agreements primarily relate to usage, repairs, and maintenance. As the implicit rate is not readily determinable for most of the Company's leases, the Company applies a portfolio approach using an estimated incremental borrowing rate to determine the initial present value of lease payments over the lease terms, which is based on market and company specific information.

The effect of the changes made to our consolidated balance sheet as of January 1, 2019 for the adoption of the new lease standard was as follows:

$'s in 000's	Balance at December 31, 2018	Adjustments due to ASC 842	Balance at January 1, 2019
ASSETS			
Property and equipment, net [1]	$ 27,335	$ —	$ 27,335
Operating lease right-of-use assets	—	10,424	10,424
Other non-current assets	$ 2,857	$ (116)	$ 2,741
LIABILITIES			—
Current portion of long-term debt and finance leases	$ —	$ 2,921	$ 2,921
Operating Leases, less current installments	—	7,644	7,644
Current portion of long-term debt and finance leases[2]	2,251	—	2,251
Finance leases, less current installments	2,319	—	$ 2,319
Other non-current liabilities	$ 524	$ (257)	$ 267

(1) Finance lease right-of-use assets of $4.5 million are included in property and equipment, net, on the condensed consolidated balance sheets.

(2) Current portion of long-term debt and finance leases includes $1.5 million of current portion of finance leases.

In accordance with the new lease standard requirements, the disclosure of the impact of adoption on our consolidated balance sheet was as follows:

	March 31, 2019		
$'s in 000's	As Reported	Balance without adoption of ASC 842	Effect of change
ASSETS			
Property and equipment, net [1]	$ 26,811	$ 26,811	$ —
Operating lease right-of-use assets	9,860	—	(9,860)
Other non-current assets	$ 2,667	$ 2,769	$ 102
LIABILITIES			
Current portion of operating leases	$ 2,862	$ —	$ (2,862)
Operating leases, less current installments	7,170	—	(7,170)
Current portion of long-term debt and finance leases[2]	2,446	2,446	—
Finance leases, less current installments	1,944	1,944	—
Other non-current liabilities	$ 268	$ 494	$ 226

(1) Finance lease right-of-use assets of $4.2 million are included in property and equipment, net, on the condensed consolidated balance sheets.

(2) Current portion of long-term debt and finance leases includes $1.6 million of current portion of finance leases.

The components of lease expense were as follows:

$'s in 000's	Three Months Ended March 31, 2019
Finance lease cost	
Amortization of right-of-use assets	$ 290
Interest on lease liabilities	50
Operating lease cost	910
Variable lease cost[1]	72
Short-term lease cost	14
Total lease cost	$ 1,336

(1) Variable lease cost primarily relates to common area maintenance, property taxes and insurance on leased real estate.

Other information related to leases was as follows as of:

	March 31, 2019
Weighted-average remaining lease term (years)	
Operating leases	3.95
Finance leases	2.65
Weighted-average discount rate	
Operating leases	5.0%
Finance leases	5.5%

Annual future commitments under non-cancelable leases as of March 31, 2019, consist of the following:

	Lease Obligations	
$'s in 000's	Operating Leases	Finance Leases
Remainder of 2019	$ 2,655	$ 1,231
2020	2,869	1,344
2021	2,032	660
2022	1,886	495
2023	1,579	119
Thereafter	28	19
Total minimum future obligations	$ 11,049	$ 3,868
Less interest	(1,017)	(275)
Present value of net future minimum obligations	10,032	3,593
Less current lease obligations	(2,862)	(1,649)
Long-term lease obligations	$ 7,170	$ 1,944

Supplemental cash flow information:

$'s in 000's	Three Months Ended March 31, 2019
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from finance leases	$ 50
Operating cash flows from operating leases	880
Financing cash flows from finance leases	371
Right-of-use assets obtained in exchange for lease obligations	
Operating leases	—
Finance leases	210

Annual future commitments under non-cancelable leases as of December 31, 2018 under ASC 840 were:

$'s in 000's	Lease Obligations	
	Operating Leases	Capital Leases
2019	$ 3,318	$ 1,615
2020	2,685	1,296
2021	1,894	605
2022	1,765	433
2023	1,478	123
Thereafter	134	—
Total minimum future obligations	$ 11,274	$ 4,072
Less imputed interest		(298)
Total lease obligations		3,774
Less current obligations		(1,455)
Long-term lease obligations		$ 2,319

Note 7 – Income Tax

As a result of the IPO and related reorganization transactions completed in July 2017, the Company held a majority of the economic interest in Holdco and consolidates the financial position and results of Holdco. The remaining ownership of Holdco not held by the Company is considered a non-controlling interest. Holdco is treated as a partnership for income tax reporting. Holdco's members, including the Company, are liable for federal, state, and local income taxes based on their share of Holdco's taxable income.

Our effective tax rate (ETR) from continuing operations was 17.7% and 21.2% for the three months ended March 31, 2019 and 2018, respectively. Income tax expense for the three months of 2019 and 2018 was different than the U.S federal statutory income tax rate of 21% primarily due to the impact of the non-controlling interest income that is not taxable.

HoldCo makes cash distributions to members to pay taxes attributable to their allocable share of income earned. In the three months ended March 31, 2019 and 2018, the Company made cash distributions of $1.4 million and $0.5 million, respectively. Additionally, HoldCo accrues for distributions required to be made related to estimated income taxes. During the three months ended March 31, 2019 and 2018, the Company accrued $0.3 million and $0.4 million, respectively.

Note 8 – Earnings (Loss) per Share

Basic and Diluted Earnings (Loss) per Share

Basic earnings (loss) per share of Class A common stock is computed by dividing net income available to PetIQ, Inc. by the weighted-average number of shares of Class A common stock outstanding during the period. Diluted earnings (loss) per share of Class A common stock is computed by dividing net income (loss) available to PetIQ, Inc. by the weighted-average number of shares of Class A common stock outstanding adjusted to give effect to potentially dilutive securities.

The following table sets forth reconciliations of the numerators and denominators used to compute basic and diluted earnings (loss) per share of Class A common stock:

(in 000's, except for per share amounts)	March 31, 2019	March 31, 2018
Numerator:		
Net income (loss)	$ 2,326	$ (3,957)
Less: net income (loss) attributable to non-controlling interests	715	(1,929)
Net income (loss) attributable to PetIQ, Inc. — basic and diluted	1,611	(2,028)
Denominator:		
Weighted-average shares of Class A common stock outstanding -- basic	21,800	14,575
Dilutive effects of stock options that are convertible into Class A common stock	171	—
Dilutive effect of RSUs	7	—
Weighted-average shares of Class A common stock outstanding -- diluted	21,978	14,575
Earnings (loss) per share of Class A common stock — basic	$ 0.07	$ (0.14)
Earnings (loss) per share of Class A common stock — diluted	$ 0.07	$ (0.14)

Shares of the Company's Class B common stock do not share in the earnings or losses of the Company and are therefore not participating securities. As such, separate presentation of basic and diluted earnings per share of Class B common stock under the two-class method has not been presented.

For the three months ended March 31, 2019 and 2018, all shares of the Company's Class B common stock have not been included in the diluted earnings per share calculation as they have been determined to be anti-dilutive under the if-converted method.

Additionally, 1,455,562 stock options and restricted stock units have not been included in the diluted earnings per share calculation for the three months ended March 31, 2019, respectively, as they have been determined to be anti-dilutive under the treasury stock method. All options and restricted stock units outstanding for the three months ended March 31, 2018 have not been included in the diluted earnings per share calculation as they have been determined to be anti-dilutive under the treasury stock method.

Note 9 – Stock Based Compensation

PetIQ, Inc. Omnibus Incentive Plan

The PetIQ, Inc. Omnibus Incentive Plan (the "Plan") provides for the grant of various equity-based incentive awards to directors of the Company, employees, and consultants. The types of equity-based awards that may be granted under the Plan include: stock options, stock appreciation rights (SARs), restricted stock, restricted stock units (RSUs), and other stock-based awards. The Company initially reserved 1,914,047 registered shares of Class A common stock for issuance under the Plan. As of March 31, 2019, 5,853 shares were available for issuance under the Plan. All awards issued under the Plan may only be settled in shares of Class A common stock.

PetIQ, Inc. 2018 Inducement and Retention Stock Plan for CVC Employees

The PetIQ, Inc. 2018 Inducement and Retention Stock Plan for CVC Employees (the "Inducement Plan") provides for the grant of stock options to employees hired in connection with the VIP Acquisition as employment inducement awards pursuant to NASDAQ Listing Rule 5635(c)(4). The Inducement Plan reserved 800,000 shares of Class A Common Stock of the Company. As of March 31, 2019, no shares were available for issuance under the Inducement Plan. All awards issued under the Plan may only be settled in shares of Class A common stock.

Stock Options

The Company awards stock options to certain employees and directors under the Plan and the Inducement Plan, which are subject to time-based vesting conditions, typically 25% on each anniversary of the grant date until fully vested. Upon a termination of service relationship by the Company, all unvested options will be forfeited and the shares of common stock underlying such awards will become available for issuance under the Plan. The maximum contractual term for stock options is 10 years.

The fair value of these equity awards is amortized to equity based compensation expense over the vesting period, which totaled $1.4 million and $0.7 million for the three months ended March 31, 2019 and 2018, respectively. All stock based compensation expense is included in general and administrative expenses based on the role of recipients. The fair value of the stock option awards were determined on the grant dates using the Black-Scholes valuation model based on the following weighted-average assumptions for the periods ended March 31, 2019 and 2018:

	March 31, 2019	March 31, 2018
Expected term (years) [1]	6.25	6.25
Expected volatility [2]	35.00 %	35.00 %
Risk-free interest rate [3]	2.74 %	2.53 %
Dividend yield [4]	0.00 %	0.00 %

(1) The Company utilized the simplified method to determine the expected term of the stock options since we do not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term.

(2) The expected volatility assumption was calculated based on a peer group analysis of stock price volatility with a look back period consistent with the expected option term.

(3) The risk-free interest rate was based on the U.S. Treasury yield curve in effect at the time of grant, which corresponds to the expected term of the stock options.

(4) The Company has not paid and does not anticipate paying a cash dividend on our common stock.

The following table summarizes the activity of the Company's unvested stock options for the period ended March 31, 2019.

	Stock Options	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life (years)
Outstanding at December 31, 2018	1,944,589	$ 23.45	5,527	9.1
Granted	319,387	27.73		
Exercised	(16,553)	19.04		
Forfeited	(43,000)	21.48		
Cancelled	—			
Outstanding at March 31, 2019	2,204,423	$ 24.14	$ 17,636	9.0
Options exercisable at March 31, 2019	356,356			

The weighted average grant date fair value of stock options granted during the period ended March 31, 2019 was $10.82 per option. At March 31, 2019, total unrecognized compensation cost related to unvested stock options was $17.1 million and is expected to be recognized over a weighted-average period of 3.2 years.

Restricted Stock Units

The Company awards RSUs to certain employees and directors under the Plan, which are subject to time-based vesting conditions. Upon a termination of service relationship by the Company, all unvested RSUs will be forfeited and the shares of common stock underlying such awards will become available for issuance under the Plan. The fair value of RSUs are measured based on the closing fair market value of the Company's common stock on the date of grant. At March 31, 2019, total unrecognized compensation cost related to unvested RSUs was $3.9 million and is expected to vest over a weighted average 3.7 years.

The fair value of these equity awards is amortized to equity based compensation expense over the vesting period, which totaled $0.2 million for the three months ended March 31, 2019. All stock based compensation expense is included in general and administrative expenses based on the role of recipients.

The following table summarizes the activity of the Company's RSUs for the period ended March 31, 2019.

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2018	50,758	$ 33.16
Granted	96,833	27.73
Settled	(1,334)	24.97
Forfeited	(1,893)	27.73
Nonvested RSUs at March 31, 2019	144,364	$ 29.67

There were grants of 4,004 RSUs for the three months ended March 31, 2018 .

Note 10 – Stockholders' Equity

Acquisition

During the three months ended March 31, 2018, Holdco issued 4,200,000 LLC Interests and Class B common shares as consideration for the VIP Acquisition.

Exchanges

During the three months ended March 31, 2019, holders of Class B common stock and LLC Interests exercised exchange rights and exchanged 518,944 Class B common shares and corresponding LLC Interests for newly issued Class A Common Stock. The LLC Agreement generally allows for conversions on the last day of each calendar month.

Note 11 – Non-Controlling Interests

The following table presents the outstanding LLC Interests and changes in LLC Interests for the periods presented.

	LLC Interests held			% of Total	
	LLC Owners	PetIQ, Inc.	Total	LLC Owners	PetIQ, Inc.
As of December 31, 2018	6,546,791	21,619,875	28,166,666	23.2%	76.8%
Stock based compensation adjustments	—	17,887	17,887		
Exchange transactions	(518,944)	518,944	—		
As of March 31, 2019	6,027,847	22,156,706	28,184,553	21.4%	78.6%

For the three months ended March 31, 2019 and 2018, the Company owned a weighted average of 77.4% and 56.7% of Holdco, respectively.

Note 12 – Customer Concentration

The Company has significant exposure to customer concentration. During the three months ended March 31, 2019 and 2018, two customers individually accounted for more than 10% of sales, together comprising 33% and 33% of net sales, respectively, for such periods.

At March 31, 2019, two Product Segment customers individually accounted for more than 10% of outstanding trade receivables, and in aggregate accounted for 61% of outstanding trade receivaables, net. At December 31, 2018 one Product Segment customer, individually accounted for more than 10% of outstanding trade receivables, and in aggregate accounted for 43%, of outstanding trade receivables, net.

Note 13 – Commitments and Contingencies

Litigation Contingencies

On April 4, 2018, Med Vets, Inc. and Bay Medical Solutions Inc. (collectively "Plaintiffs") filed suit in the United States District Court for the Northern District of California against PetIQ and VIP Petcare Holdings, Inc. for alleged unlawful merger and other antitrust violations. On April 22, 2019, the Court granted the Company's Motion to Dismiss without further leave to amend, concluding that Plaintiffs were not able to identify any factual allegations to support their alleged claims.

The Company records a liability when a particular contingency is probable and estimable and provides disclosure for contingencies that are at least reasonably possible of resulting in a loss including an estimate which we currently cannot make. The Company has not accrued for any contingency at March 31, 2019, as the Company does not consider any contingency to be probable or estimable. The Company expenses legal costs as incurred within general and administrative expenses on the consolidated condensed statements of operations.

Note 14 – Segments

Effective January 17, 2018, the Company has two operating segments: Products and Services. The Products segment consists of the Company's manufacturing and distribution business. Services represents all veterinary services, and related product sales, provided by the Company directly to consumers. The segments are based on the discrete financial information reviewed by the Chief Operating Decision Maker to make resource allocation decisions and to evaluate performance. Certain corporate costs are not included in this analysis, such as accounting, legal, human resources, information technology and corporate headquarters expenses. Additionally certain expense types are allocated to the

corporate portion of the Company, such as stock based compensation, amortization expense on intangible assets, interest expense, foreign currency exchange adjustments, and income taxes. The period from January 1, 2018 to January 16, 2018 has been recast to reflect these reportable operating segments.

Financial information relating to the Company's operating segments for the three months ended:

$'s in 000's **March 31, 2019**	**Products**	**Services**	**Corporate**	**Consolidated**
Net Sales	**$ 126,084**	**$ 22,352**	**$ —**	**$ 148,436**
Operating income (loss)	**13,003**	**3,017**	**(11,148)**	**4,872**
Interest expense	**—**	**—**	**(1,937)**	**(1,937)**
Foreign currency loss, net	**—**	**—**	**(122)**	**(122)**
Other income, net	**—**	**—**	**13**	**13**
Depreciation expense	**553**	**524**	**576**	**1,653**
Amortization expense	**$ —**	**$ —**	**$ 1,279**	**$ 1,279**

$'s in 000's **March 31, 2018**	**Products**	**Services**	**Corporate**	**Consolidated**
Net Sales	$ 97,851	$ 17,215	$ —	$ 115,066
Operating income (loss)	8,949	(356)	(11,819)	(3,226)
Interest expense	—	—	(1,765)	(1,765)
Other income, net	—	—	45	45
Foreign currency loss, net	—	—	(78)	(78)
Depreciation expense	462	547	241	1,250
Amortization expense	$ —	$ —	$ 1,140	$ 1,140

Supplemental geographic disclosures are below.

	three months ended March 31, 2019		
$'s in 000's	**U.S.**	**Foreign**	**Total**
Product segment sales	$ 124,451	$ 1,633	$ 126,084
Service segment revenue	22,352	—	22,352
Total net sales	$ 146,803	$ 1,633	$ 148,436

	three months ended March 31, 2018		
$'s in 000's	**U.S.**	**Foreign**	**Total**
Product segment sales	$ 96,256	$ 1,595	$ 97,851
Service segment revenue	17,215	—	17,215
Total net sales	$ 113,471	$ 1,595	$ 115,066

Property, plant, and equipment by geographic location is below.

	March 31, 2019	December 31, 2018
United States	$ 25,762	$ 26,268
Europe	1,049	1,067
Total	$ 26,811	$ 27,335

Note 15 – Related Parties

As discussed in Note 7– "Income Taxes", the Company has accrued tax distributions that are payable to holders of Class B common stock and LLC Interests to facilitate the payment of periodic estimated tax obligations by such holders. At March 31, 2019, and December 31, 2018, the Company had an accrual of $71 thousand and $1.2 million, respectively, for estimated tax distributions, which are included in accounts payable on the condensed consolidated balance sheets.

As discussed in Note 5– "Debt", the Company has notes payable to the sellers of VIP, who are significant shareholders of the Company, of $17.5 million in aggregate as of December 31, 2018 and March 31, 2019 and accrued interest of $169 thousand as of December 31, 2018. The Company paid $440 thousand of interest in the three months ended March 31, 2019, of which $271 thousand related to the three months ended March 31, 2019. Additionally, up to $10 million may be due under the 2019 Contingent note, in the event the note is earned.

The Company leases office and warehouse space from a company under common control of the sellers of VIP, commencing on January 17, 2018. The Company incurred rent expenses of $73 thousand and $73 thousand in the three months ended March 31, 2019 and 2018, respectively.

Chris Christensen, the brother of CEO, McCord Christensen, acts as the Company's agent at Moreton Insurance ("Moreton"), which acts as a broker for a number of the Company's insurance policies. The Company's premium expense, paid to Moreton and subsequently transferred to insurance providers, was $137 thousand for the three months ended March 31, 2019 and $109 thousand for the three months ended March 31, 2018. Mr. Chris Christensen was paid a commission of approximately $7 thousand and $5 thousand for the three months ended March 31, 2019 and 2018, respectively, by Moreton for the sale of such insurance policies to the Company.

Note 16 – Subsequent events

On May 8, 2019, the Company entered into a Purchase and Sale Agreement (the "Purchase Agreement") by and among PetIQ, LLC ("Buyer"), L. Perrigo Company ("Seller"), Perrigo Company plc and the Company. Upon the terms and subject to the conditions set forth in the Purchase Agreement, Buyer will acquire all of the outstanding capital stock of Sergeant's Pet Care Products, Inc., including any assets related to Perrigo's animal health business (the "Business"), from Seller, resulting in the Business becoming an indirect wholly-owned subsidiary of the Company (the "Acquisition").

The purchase price for the Acquisition is $185 million in cash, subject to customary adjustments for net working capital, closing indebtedness and transaction expenses. The Purchase Agreement contains customary representations and warranties, covenants and agreements, including, among others, in the case of Seller to conduct the Business in the ordinary course of business during the period between the execution of the Purchase Agreement and the consummation of the Acquisition. In addition, the parties to the Purchase Agreement have agreed to indemnify each other for certain liabilities arising out of the Purchase Agreement, subject to various limitations including, among other things caps and time limitations. Buyer will also obtain representation and warranty insurance that provides coverage for certain breaches of, and inaccuracies in, representations and warranties made by Seller in the Purchase Agreement, subject to exclusions, deductibles and other terms and conditions.

The obligation of the parties to close the Acquisition is subject to customary closing conditions, including the receipt of antitrust clearance in the United States. The Purchase Agreement may be terminated in certain circumstances including, among other things, if the parties fail to receive antitrust clearance in the United States by May 7, 2020 or if Buyer and Seller mutually agree there is no reasonable likelihood that the Transaction will receive antitrust clearance in the United States by May 7, 2020, in which case Buyer shall pay Seller a termination fee of $5 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following is a discussion of our results of operations and current financial condition. This should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements for the year ended December 31, 2018 and related notes included in the annual report for PetIQ, Inc., filed with the Securities and Exchange Commission (the "SEC") on Form 10-K for the year ended December 31, 2018. This discussion contains forward-looking statements that reflect our plans, estimates, and beliefs and involve numerous risks and uncertainties. Actual results may differ materially from those contained in any forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements."

Our Business

Overview

PetIQ is a leading, rapidly growing pet health and wellness company. Through over 60,000 points of distribution across retail and e-commerce channels, PetIQ and VIP Petcare, a wholly-owned subsidiary, have a mission to make pet lives better by educating pet parents on the importance of offering regular, convenient access and affordable choices for pet preventative and wellness veterinary products and services. PetIQ believes that pets are an important part of the family and deserve the best products and care we can give them.

We are the sole managing member of PetIQ Holdings, LLC ("Holdco"), a Delaware limited liability company, which is the sole member of PetIQ, LLC ("Opco") and, through Holdco, operate and control all of the business and affairs of Opco.

Our sales occur predominantly in the U.S. and Canada. Approximately 99% of our three months ended March 31, 2019 and 2018 net sales were generated from customers located in the United States and Canada, with the remaining sales generated from other foreign locations. We have two reporting segments: (i) Products; and (ii) Services. This is based on the level at which the chief operating decision maker reviews the results of operations to make decisions regarding performance assessment and resource allocation.

Results of Operations

Components of our Results of Operations

Net Sales

Our product net sales consist of our total sales net of product returns, allowances (discounts), trade promotions and incentives. We offer a variety of trade promotions and incentives to our customers, such as cooperative advertising programs and in-store displays. We recognize revenue when persuasive evidence of an arrangement exists, in accordance with the terms of our contracts, which generally occurs upon shipment of product, when the price is fixed or determinable and when collectability is reasonably assured. Trade promotions are used to increase our aggregate net sales. Our net sales are periodically influenced by the timing, extent and amount of such trade promotions and incentives.

Key factors that may affect our future sales growth include: new product introductions; expansion into e-commerce and other customer bases; expansion of items sold to existing customers, addition of new retail customers and to maintain pricing levels necessary for profitability; aggressive pricing by our competitors; and whether we can maintain and develop positive relationships with key retail customers.

Our products are primarily consumables and, as such, they experience a replenishment cycle.

Our service revenue consists of providing veterinary services for consumers and selling products to the consumer in conjunction with those services. The customer renders payment at the time the service is rendered.

While many of our products are sold consistently throughout the year, we experience seasonality in the form of increased retailer demand for our flea and tick product offerings in the first two quarters of the year in preparation for increased consumer demand during the summer months. Additionally our veterinary services experience seasonality as consumers typically seek more services in the warmer months.

Gross Profit

Gross profit is our net product sales plus service revenue less cost of product sales and services. Our cost of product sales consists primarily of costs of raw goods, finished goods packaging materials, manufacturing, shipping and handling costs and costs associated with our warehouses and distribution network. Cost of services are comprised of all service and product costs related to providing veterinary services, including but not limited to, salaries of veterinarians, technicians and other clinic based personnel, transportation and delivery costs, facilities rent, occupancy costs, supply costs, depreciation and amortization of clinic assets, certain marketing and promotional expenses and costs of goods sold.

Gross margin measures our gross profit as a percentage of net sales. With respect to our proprietary products, we have a manufacturing network that includes leased manufacturing facilities where we manufacture finished goods, as well as third-party contract manufacturing facilities from which we purchase finished products predominately on a dollar-per-unit basis. The gross margin on our proprietary value-branded products is higher than on our distributed products. For distributed products, our costs are driven largely by whether we source the product direct from the manufacturer or a licensed distributor. Gross profit in the services segment is driven by the number of pets that seek services in the individual clinics due to the relatively fixed cost nature of providing the clinic.

General and Administrative Expenses

Our general and administrative expenses primarily consist of employee compensation and benefits expenses, sales and merchandizing expenses, advertising and marketing expenses, rent and lease expenses, IT and utilities expenses, professional fees, insurance costs, R&D costs, host fees, banking charges, and consulting fees. In the future, we expect our general and administrative expenses to grow at a slower rate than our net sales growth as we leverage our past investments.

Our advertising and marketing expenses primarily consist of digital marketing (e.g. search engine optimization, pay-per-click, content marketing, etc.), social media, in-store merchandising and trade shows in an effort to promote our brands and build awareness. These expenses may vary from quarter to quarter but typically they are higher in the second and third quarters. We expect our marketing and advertising expenses to decrease as a percentage of net sales as we continue to concentrate campaigns to relevant markets, as well as shift spending towards in-store marketing and customer trade-supported programs.

Net Income

Our net income for future periods will be affected by the various factors described above as well as the impact on our tax rate from our fluctuating ownership of Holdco.

Results of Operations

The following table sets forth our consolidated statements of income in dollars and as a percentage of net sales for the periods presented:

	For the Three Months Ended		% of Net Sales	
$'s in 000's	**March 31, 2019**	**March 31, 2018**	**March 31, 2019**	**March 31, 2018**
Product sales	**$** 126,084	$ 97,851	84.9 %	85.0 %
Services revenue	22,352	17,215	15.1 %	15.0 %
Total net sales	148,436	115,066	100.0 %	100.0 %
Cost of products sold	108,064	84,586	72.8 %	73.5 %
Cost of services	15,642	14,597	10.5 %	12.7 %
Total cost of sales	123,706	99,183	83.3 %	86.2 %
Gross profit	24,730	15,883	16.7 %	13.8 %
General and administrative expenses	20,538	18,968	13.8 %	16.5 %
Contingent note revaluations (gain) loss	(680)	141	(0.5)%	0.1 %
Operating income	4,872	(3,226)	3.3 %	(2.8)%
Interest expense	(1,937)	(1,765)	(1.3)%	(1.5)%
Foreign currency loss, net	(122)	(78)	(0.1)%	(0.1)%
Other income, net	13	45	0.0 %	0.0 %
Total other expense, net	(2,046)	(1,798)	(1.4)%	(1.6)%
Pretax net income (loss)	2,826	(5,024)	1.9 %	(4.4)%
Income tax (expense) benefit	(500)	1,067	(0.3)%	0.9 %
Net income (loss)	**$** 2,326	$ (3,957)	1.6 %	(3.4)%

Three Months Ended March 31, 2019 Compared With Three Months Ended March 31, 2018

Net sales

Product sales increased $28.2 million or 29%, to $126.1 million for the three months ended March 31, 2019, compared to $97.9 million for the three months ended March 31, 2018. This increase was driven by expanding item count at existing customers of existing items, as well as customer program expansion.

Service revenue was $22.4 million in the three months ended March 31, 2019 compared to $17.2 million in the prior comparable period. The increase was driven by growth in pet counts within mobile clinics, as well as newly opened wellness centers.

Gross profit

Gross profit increased by $8.8 million, or 56%, to $24.7 million for the three months ended March 31, 2019, compared to $15.9 million for the three months ended March 31, 2018. This increase is due to the significant sales growth, the operational improvements made in the services segment by rationalizing unproductive clinics, and product sales mix.

Gross margin increased to 16.7% for the three months ended March 31, 2019, from 13.8% for the three months ended March 31, 2018.

General and administrative expenses

General and administrative expenses increased by $1.6 million or 8% to $20.5 million for the three months ended March 31, 2019 compared to $19.0 million for the three months ended March 31, 2018. As a percentage of net sales, G&A has come down from 16.5% in the first three months of 2018 to 13.8% for the first three months of 2019, primarily driven sales growth outpacing G&A growth.The increase in total expense reflects:

- Increased stock based compensation expense on additional grants supporting company growth of approximately $0.8 million;

- Increased compensation and benefits to support overall company growth, the addition of the HBH subsidiary, and the adoption of harmonized benefits across the entire organization;
- Increased professional service costs including legal and accounting to support the growth of the business; and
- offset by the non-recurrence in 2018 of certain costs associated with the VIP Acquisition.

Interest expense, net

Interest expense, net increased $0.2 million to $1.9 million for the three months ended March 31, 2019, compared to $1.8 million for the three months ended March 31, 2018. This increase was driven by increasing rates on variable rate debt, offset by additional intest income from the Company's cash and cash equivalents related to the public offering that was completed in October of 2018.

Pre-tax net income

As a result of the factors above, pre-tax net income increased $7.9 million to $2.8 million for the three months ended March 31, 2019 compared to pre-tax net loss of $5.0 million for the three months ended March 31, 2018.

Provision for income taxes

Our effective tax rate was 17.7% and 21.2% for the three months ended March 31, 2019 and 2018, respectively, with tax expense of $0.5 million and tax benefit of $1.1 million. The Company's tax rate is impacted by the ownership structure, which changes over time.

Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA are non-GAAP financial measures. EBITDA represents net income before interest, income taxes and depreciation and amortization. Adjusted EBITDA represents EBITDA plus acquisition costs, stock based compensation expense, purchase accounting inventory adjustment, fair value adjustment to contingent consideration, new clinic launch expenses, integration and costs of discontinued clinics, and operations of non same-store operations as defined below. Adjusted EBITDA adjusts for transactions that management does not believe are representative of our core ongoing business. Adjusted EBITDA is utilized by management: (i) as a factor in evaluating management's performance when determining incentive compensation and (ii) to evaluate the effectiveness of our business strategies.

The Company presents EBITDA because it is a necessary component for computing Adjusted EBITDA. We believe that the use of EBITDA and Adjusted EBITDA provides an additional tool for investors to use in evaluating ongoing operating results and trends. In addition, you should be aware when evaluating EBITDA and Adjusted EBITDA that in the future we may incur expenses similar to those excluded when calculating these measures. Our presentation of these measures should not be construed as an inference that our future results will be unaffected by these or other unusual or non-recurring items. Our computation of EBITDA and Adjusted EBITDA may not be comparable to other similarly titled measures computed by other companies, because all companies do not calculate EBITDA and Adjusted EBITDA in the same manner.

Our management does not, and you should not, consider EBITDA or Adjusted EBITDA in isolation or as an alternative to financial measures determined in accordance with GAAP. The principal limitation of EBITDA and Adjusted EBITDA is that they exclude significant expenses and income that are required by GAAP to be recorded in our financial statements. Some of these limitations are:

- EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- EBITDA does not reflect changes in, or cash requirements for, our working capital needs;

- EBITDA does not reflect the interest expenses, or the cash requirements necessary to service interest or principal payments, on our debts;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Adjusted EBITDA does not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing core operations; and
- Other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using EBITDA and Adjusted EBITDA only supplementally. You should review the reconciliations of net (loss) income to EBITDA and Adjusted EBITDA below and not rely on any single financial measure to evaluate our business.

The following table reconciles net income (loss) to EBITDA and Adjusted EBITDA for the periods presented.

	For the three months ended	
	March 31, 2019	March 31, 2018
Net income (loss)	$ 2,326	$ (3,957)
Plus:		
Tax expense (benefit)	500	(1,067)
Depreciation	1,654	1,250
Amortization	1,279	1,140
Interest	1,937	1,765
EBITDA	$ 7,696	$ (869)
Acquisition costs[1]	576	3,215
Stock based compensation expense	1,544	698
Purchase accounting adjustment to inventory	—	1,502
Non same-store revenue[2]	(1,516)	(221)
Non same-store costs[2]	3,252	388
Fair value adjustment of contingent note	(680)	141
Integration costs and costs of discontinued clinics	—	371
Clinic launch expenses[3]	—	365
Adjusted EBITDA	$ 10,872	$ 5,590

(1) Acquisition costs relating to various acquisitions, both completed and contemplated.

(2) Non same-store revenue and costs are from wellness centers, host partners, and regions with less than six full trailing quarters of operating results. There were 25 wellness centers, 6 regions, and one new host partner that had less than six trailing quarters of operating results for the three months March 31, 2019 six wellness centers and 2 regions for the three months ended March 31, 2018.

(3) Clinic launch expenses represent the nonrecurring costs to open new veterinary wellness centers, primarily employee costs, training, marketing, and rent prior to opening for business.

Financial Condition, Liquidity, and Capital Resources

Historically, our primary sources of liquidity have been cash flows from operations, borrowings, and equity contributions. As of March 31, 2019 and December 31, 2018, our cash and cash equivalents were $54.4 million and $66.4 million respectively. As of March 31, 2019, we had $22.1 million outstanding under a revolving credit facility,

$74.4 million under a term loan, $17.5 million due under guaranteed notes, and $1.8 million outstanding under a mortgage. Up to an additional $10 million may be payable payable pursuant to the 2019 Contingent Note. The debt agreements bear interest at rates between 4.35% and 7.75%.

Our primary cash needs are for working capital. Our maintenance capital expenditures have typically been less than 1.0% of net sales, but we may make additional capital expenditures as necessary to support our growth, such as the investment in additional veterinary clinics. Our primary working capital requirements are to carry inventory and receivable levels necessary to support our increasing net sales. Fluctuations in working capital are primarily driven by the timing of new product launches and seasonal retailer demand. As of March 31, 2019 and December 31, 2018, we had working capital (current assets less current liabilities) of $154.7 million and $143.5 million, respectively.

We believe that our operating cash flow, cash on hand, and debt proceeds from our borrowings under our credit facility will be adequate to meet our operating, investing, and financing needs for the foreseeable future. To the extent additional funds are necessary to meet long-term liquidity needs as we continue to execute our business strategy, we anticipate that they will be obtained through the incurrence of additional indebtedness, additional equity financings or a combination of these potential sources of funds, although we can provide no assurance that these sources of funding will be available on reasonable terms.

Cash Flows

Cash used in Operating Activities

Net cash used in operating activities was $18.2 million for the three months ended March 31, 2019, compared to cash used in operating activities of $38.4 million for the three months ended March 31, 2018. The change in operating cash flows primarily reflects higher earnings, offset partially by high non-cash items such as depreciation and amortization. Working capital uses are driven by increased accounts receivable resulting from our growing net sales and higher inventory to support growing net sales. Net changes in assets and liabilities accounted for $25.0 million in cash used in operating activities for the three months ended March 31, 2019 compared to $36.5 million of cash used in operating activities for the three months ended March 31, 2018.

Cash used in Investing Activities

Net cash used in investing activities was $0.9 million for the three months ended March 31, 2019, compared to $94.2 million for the three months ended March 31, 2018. The decrease in net cash used in investing activities is a result of the VIP Acquisition that occurred in the prior year period.

Cash provided by Financing Activities

Net cash provided by financing activities was $6.9 million for the three months ended March 31, 2019 compared to $99.4 million in net cash provided by financing activities for the three months ended March 31, 2018. This decrease in cash provided by financing activities is primarily driven by the Company's new debt taken out to finance the VIP Acquisition in the prior year period.

Description of Indebtedness

A&R Credit Agreement

In connection with the VIP Acquisition, the Company amended and restated its existing revolving credit agreement (the "A&R Credit Agreement") on January 17, 2018, which was subsequently amended in August 2018. The A&R Credit Agreement provides for a secured revolving credit facility of $75 million in the aggregate, at either LIBOR or Base (prime) interest rates plus an applicable margin. The A&R Credit Agreement matures on January 17, 2023 and contains a lockbox mechanism.

All obligations under the A&R Credit Agreement are unconditionally guaranteed by Holdco and each of its domestic wholly-owned subsidiaries and, subject to certain exceptions, each of its material current and future domestic wholly-owned subsidiaries. All obligations under the A&R Credit Agreement, and the guarantees of those obligations, are secured by substantially all of the assets of each borrower and guarantor under the A&R Credit Agreement, subject to certain exceptions.

Also in connection with the closing of the VIP Acquisition, the Company entered into a term loan credit agreement (the "Term Loan"). The Term Loan provides for a secured term loan credit facility of $75 million in aggregate at either LIBOR or Base (prime) interest rates plus an applicable margin. The Term Loan Credit Agreement requires quarterly principal payments, with the full balance due on January 17, 2023.

As of March 31, 2019, the Company had $22.1 million outstanding under the A&R Credit Agreement and $74.4 million under the Term Loan Credit Agreement. The interest rate on the A&R Credit Agreement was 5.5% as a Base Rate loan, the interest rate on the Term Loan Credit Agreement was 7.8% as a LIBOR rate loan. Additionally the Company pays between 0.375% and 0.50% as an unused facility fee, depending on the amount borrowed.

The A&R Credit Agreement and Term Loan contain certain covenants and restrictions including a fixed charge coverage ratio and a first lien net leverage ratio and is secured by collateral consisting of a percentage of eligible accounts receivable, inventories, and machinery and equipment. As of March 31, 2019, the Company was in compliance with these covenants. The availability of certain baskets and the ability to enter into certain transactions (including our ability to pay dividends) may also be subject to compliance with consolidated EBITDA.

Other Debt

The Company entered into a mortgage with a local bank to finance $1.9 million of the purchase price of a commercial building in Eagle, Idaho, in July 2017. The mortgage bears interest at a fixed rate of 4.35% and utilizes a 25 year amortization schedule with a 10 year balloon payment of the balance due at that time.

In connection with the VIP Acquisition, the Company entered into a guarantee note which requires the Company to pay $10.0 million on July 17, 2023. The note bears interest at a fixed 6.75% and requires quarterly interest payments.

Also in connection with the VIP Acquisition, the Company has entered into an additional guarantee note, generated from an EBITDA target established and met by the Company, which requires the Company to pay $7.5 million on July 17, 2023. The note bears interest at a fixed 6.75% and requires quarterly interest payments.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We are exposed to certain market risks arising from transactions in the normal course of our business. Such risk is principally associated with interest rates. We currently do not enter into derivatives or other financial instruments for trading or speculative purposes.

Interest Rate Risk

We are exposed to changes in interest rates because the indebtedness incurred under our New Credit Agreement is variable rate debt. Interest rate changes generally do not affect the market value of our credit agreement but do affect the amount of our interest payments and, therefore, our future earnings and cash flows. As of March 31, 2019, we had variable rate debt of approximately $96.5 million under our Revolver and Term Loan. An increase of 1% would have increased our interest expense for the three months ended March 31, 2019 ended by approximately $0.2 million.

Item 4. Controls and Procedures.

Internal Control over Financing Reporting

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in our reports under 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 Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

Effective January 1, 2019, we adopted Accounting Standards Codification 842, *Leases ("Topic 842")*. The adoption of Topic 842 had a material impact on our Balance sheet, with no significant impact to our Condensed Consolidated Statement of Operations or Cash Flows, and as such we implemented certain changes to our lease and contract management related control activities to enhance policies and periodic review procedures to incorporate specific Topic 842 considerations.

There were no other changes in our internal control over financial reporting that occurred during our fiscal quarter ended March 31, 2019, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties, such as statements about our plans, objectives, expectations, assumptions or future events. In some cases, you can identify forward-looking statements by terminology such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could" and similar expressions. Examples of forward-looking statements include, without limitation:

- statements regarding our strategies, results of operations or liquidity;
- statements concerning projections, predictions, expectations, estimates or forecasts as to our business, financial and operational results and future economic performance;
- statements of management's goals and objectives; and
- assumptions underlying statements regarding us or our business.

Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from any future results, performances, or achievements expressed or implied by the forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to, factors discussed under the headings "Management's Discussion and Analysis of Financial Condition and Results of Operations"; our ability to successfully grow our business through acquisitions; our dependency on a limited number of customers; our ability to implement our growth strategy effectively; disruptions in our manufacturing and distribution chains; competition from veterinarians and others in our industry; reputational damage to our brands; economic trends and spending on pets; the effectiveness of our marketing and trade promotion programs; recalls or withdrawals of our products or product liability claims; our ability to manage our manufacturing and supply chain effectively; disruptions in our manufacturing and distribution chains; our ability to introduce new products and improve existing products; our failure to protect our intellectual property; costs associated with governmental regulation; our ability to keep and retain key employees; our ability to sustain profitability; and the risks set forth under the "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2018.

Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results. The forward-looking statements speak only as of the date on which they are made, and, except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Consequently, you should not place undue reliance on forward-looking statements.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

On April 4, 2018, Med Vets, Inc. and Bay Medical Solutions Inc. (collectively "Plaintiffs") filed suit in the United States District Court for the Northern District of California against PetIQ and VIP Petcare Holdings, Inc. for alleged unlawful merger and other antitrust violations. On April 22, 2019 the Court granted the Company's Motion to Dismiss without further leave to amend, concluding that Plaintiffs were not able to identify any factual allegations to support their alleged claims.

We are from time to time subject to, and are presently involved in, litigation and other proceedings. Other than the litigation described above, we believe that there are no pending lawsuits or claims that, individually or in the aggregate, may have a material adverse effect on our business, financial condition or results of operations.

Item 1A. Risk Factors.

There have been no material changes to the risk factors disclosed in our annual report on Form 10-K for the year ended December 31, 2018.

Item 5. Other Information

On May 9, 2019, PetIQ, LLC, an indirect wholly owned subsidiary of the Company, entered into an amended and restated employment and non-competition agreement with McCord Christensen, the Company's Chief Executive Officer (the "A&R Christensen Employment Agreement") and an employment and non-competition agreement with John Newland, the Company's Chief Financial Officer (the "Newland Employment Agreement"). Descriptions of the agreements are set forth below.

A&R Christensen Employment Agreement

The A&R Christensen Employment Agreement amends and restates the employment agreement between the Company and Mr. Christensen that was originally entered into effective May 31, 2012. Pursuant to the A&R Christensen Employment Agreement, Mr. Christensen will serve as Chief Executive Officer for a term of three years, plus automatic one-year renewals thereafter absent notice of termination. The A&R Christensen Employment Agreement provides for an annual base salary of $515,000, participation in the Company's annual cash bonus plan, with a cash bonus target equal to 100% of his annual base salary, and eligibility to receive equity awards under the Company's 2017 Omnibus Incentive Plan.

In the event that Mr. Christensen's employment is terminated by the Company without "cause" or for "good reason" (each as defined in the A&R Christensen Employment Agreement), Mr. Christensen would be entitled to receive cash severance in an amount equal to the greater of (i) $2,000,000 or (ii) the aggregate of two times the sum of his annual base salary and the annual bonus he received for the fiscal year ending immediately prior to his termination date, with the first $2,000,000 of such severance payable in a lump sum, and the excess of the severance over $2,000,000 (if any) payable in substantially equal installments over the 24 months following the separation date. Mr. Christensen would also be entitled to receive immediate vesting of all outstanding equity-based awards held by him at the time of the termination, including vesting at target for any performance-vesting equity awards. Receipt of all severance benefits is subject to Mr. Christensen's timely execution and non-revocation of a general release of claims in favor of the Company. Mr. Christensen may resign his employment for any reason upon giving the Company no less than 30 days' notice.

Mr. Christensen is subject to certain restrictive covenants, including provisions regarding non-competition and non-solicitation of employees, independent contractors, clients, customers or suppliers, while employed by the Company and for a period of (i) four years following the termination of his employment for any reason prior to December 31, 2020 or (ii) three years following the termination of his employment for any reason on or after December 31, 2020.

Newland Employment Agreement

The Newland Employment Agreement supersedes the offer letter between Mr. Newland and the Company, dated March 6, 2014. Pursuant to the Newland Employment Agreement, Mr. Newland will serve as Chief Financial Officer for a term of one year, plus automatic one-year renewals thereafter absent notice of termination. The Newland Employment Agreement provides for an annual base salary of $386,250, participation in the Company's annual cash bonus plan, with an anticipated cash bonus target equal to 100% of his annual base salary, and eligibility to receive equity awards under the Company's 2017 Omnibus Incentive Plan.

In the event that Mr. Newland's employment is terminated by the Company without "cause" (as defined in the Newland Employment Agreement), Mr. Newland would be entitled to receive continued payment of his annual base salary for 12 months following the separation date. Receipt of severance is subject to Mr. Newland's timely execution and non-revocation of a general release of claims in favor of the Company. Mr. Newland may resign his employment for any reason upon giving the Company no less than 30 days' notice.

Mr. Newland is subject to certain restrictive covenants, including provisions regarding non-competition and non-solicitation of employees, independent contractors, clients, customers or suppliers, while employed by the Company and for a period of 12 months following the termination of his employment for any reason.

The descriptions of the Christensen and Newland Employment Agreements are qualified in their entirety by reference to the full text of such agreements, copies of which are filed herewith as exhibits and are incorporated by reference herein.

Item 6. Exhibits.

2.1	Purchase and Sale Agreement, dated May 8, 2019, by and among PetIQ, LLC, L. Perrigo Company, Perrigo Company plc and PetIQ, Inc.
10.1*+	Amended and Restated Employment and Non-Competition Agreement, dated as of May 9, 2019, between PetIQ, LLC and McCord Christensen
10.2*+	Employment and Non-Competition Agreement, dated as of May 9, 2019, between PetIQ, LLC and John Newland
10.3*+	Employment and Non-Competition Agreement, dated as of May 9, 2019, between PetIQ, LLC and R. Michael Herrman
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.

* Filed herewith
+ Management compensatory 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.

PETIQ, INC.

May 9, 2019

/s/ John Newland
John Newland
Chief Financial Officer

Exhibit 10.1

AMENDED AND RESTATED EMPLOYMENT AND NON-COMPETITION AGREEMENT

AMENDED AND RESTATED EMPLOYMENT AND NON-COMPETITION AGREEMENT (this "***Agreement***") dated as of May 9, 2019 (the ***"Effective Date"***), between PetIQ, LLC, an Idaho limited liability company (the ***"Company"***), and McCord Christensen (the "***Employee***").

WHEREAS, Employee has been employed by the Company as Chief Executive Officer pursuant to that certain employment agreement, dated as of May 31, 2012, between True Science Holdings, LLC (predecessor to the Company) and Employee (the ***"Original Employment Agreement"***);

WHEREAS, as of the Effective Date, this Agreement amends and restates in its entirety the Original Employment Agreement; and

WHEREAS, the Company desires to continue to employ Employee, and Employee is willing to continue to be employed and to perform services for the Company, on the terms and subject to the conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Employment Period.

Pursuant to the terms and subject to the conditions of this Agreement, the Company hereby agrees to continue to employ the Employee, and the Employee hereby agrees to continue to be employed by the Company for the period commencing on the Effective Date and ending on the third (3rd) anniversary date of the Effective Date, unless earlier terminated in accordance with the terms hereof (the "***Employment Period***"). The Employment Period shall be automatically extended for a twelve-month period unless either party gives notice to the other party of its intention to terminate this Agreement no later than sixty (60) days prior to the end of the then-existing Employment Period. Except as provided herein, from and after the expiration of the Employment Period, the Employee will not be entitled to any rights or benefits (including, without limitation, any severance pursuant to this Agreement or any Company program, policy or otherwise) other than payment of any earned but unpaid wages.

Section 2. Terms of Employment.

(a) Position. During the Employment Period, the Employee shall serve as Chief Executive Officer of the Company and shall report to the Board of Directors of PetIQ, Inc. (the ***"Board"***). The Employee shall, subject to the direction and supervision of the Board, have supervision and control over, and responsibility for, such management and operational functions of the Company currently assigned to such position and shall have such other powers and duties (including holding officer positions with the Company and one or more subsidiaries of the Company) as may from time to time be prescribed by the Board consistent with the Employee's position as Chief Executive Officer.

(b) Full Time. During the Employment Period, and excluding any periods of vacation and sick leave to which the Employee is entitled, the Employee agrees to devote his full business time and efforts, to the best of his ability, experience and talent, to the business and affairs of the Company.

(c) Compensation.

(i) Base Salary. During the Employment Period, the Employee shall receive an annual base salary of $515,000, less applicable withholdings, which annual base salary shall be subject to upward adjustment from time to time as determined by the Compensation Committee of the Board (the ***"Compensation Committee***") (as so adjusted, the ***"Annual Base Salary"***). The Annual Base Salary shall be paid in accordance with the customary payroll practices of the Company, subject to applicable withholding and other payroll taxes.

(ii) Bonuses. During the Employment Period, the Employee shall be eligible to participate in the Company's annual cash bonus plan as determined by the Compensation Committee in its sole discretion (the ***"Annual Bonus"***), with a cash bonus target equal to 100% of his Annual Base Salary. The amount of the Annual Bonus, if any, payable to the Employee in respect of a completed fiscal year shall be determined in the discretion of the Compensation Committee in its determination of the bonus plan, and may include factors such as the Employee's performance of his duties and the Company's financial performance, as well as certain performance targets that are approved by the Compensation Committee. The Annual Bonus shall be paid as, when and if determined by the Compensation Committee at the same time that such payments are made to other participants in the annual cash bonus plan, subject to applicable withholding and other payroll taxes, and subject to Employee's continued employment through the Annual Bonus payment date.

(iii) Expenses. During the Employment Period, the Employee shall be entitled to receive reimbursement for all reasonable and documented expenses incurred by the Employee in connection with the performance of his duties hereunder, in accordance with the policies, practices and procedures of the Company as in effect from time to time.

(iv) Equity-Based Compensation. During the Employment Period, the Employee shall be eligible to participate in, and receive awards of equity-based compensation under, the PetIQ, Inc. 2017 Omnibus Incentive Plan or applicable successor plan (the "***Omnibus Plan***"), as determined by the Compensation Committee in its discretion.

(v) Vacation and Holidays. During the Employment Period, the Employee shall be entitled to paid holidays and four (4) weeks' paid vacation in accordance with the policies of the Company applicable to other employees of the Company generally from time to time.

(vi) Benefits. Employee shall have the opportunity to participate in the employee benefit plans or programs of the Company in accordance with the policies of the

Company applicable to other executive-level employees of the Company from time to time. The Company reserves the right to amend any employee benefit plan, policy, program or arrangement from time to time, or to terminate such plan, policy, program or arrangement, consistent with the terms thereof at any time and for any reason without providing the Employee with notice.

Section 3. Termination of Employment.

(a) Death or Disability. The Employee's employment shall terminate automatically upon the Employee's death. The Company may also terminate the Employee's employment due to Disability. For purposes of this Agreement, the Employee shall be deemed ***"Disabled"*** and shall be subject to termination due to Disability, if the Employee is unable to perform the essential functions of his position, with or without reasonable accommodation, for any ninety (90) days during a period of one hundred eighty (180) consecutive days (excluding any days of paid vacation used by the Employee in accordance with the Company's paid time off policy), due to mental or physical disability as determined by a physician selected by the Company and reasonably acceptable to the Employee. If the Employee is Disabled, the Company may elect to terminate the Employee's employment hereunder by giving Notice of Termination (as defined below) to the Employee (such termination to be effective upon receipt of such notice); *provided, however,* that the Company may not terminate the Employee's employment unless, at the time the Company gives the Notice of Termination, the Employee continues to have a physical or mental disability that, in the opinion of a physician selected by Company and reasonably acceptable to the Employee, may be expected to prevent the Employee from performing any of his duties hereunder for any period of time in excess of the ninety (90) days rendering him Disabled. The parties acknowledge and agree that the Company will suffer an undue hardship under the circumstances set forth in the previous provision.

(b) Cause. The Employee's employment may be terminated at any time by the Company for Cause (as defined below) or Without Cause (as defined below). For purposes of this Agreement, ***"Cause"*** shall mean: (i) a breach by the Employee of any material provision of this Agreement which, if curable, is not cured within ten (10) days after the Employee's receipt of written notice of such breach from the Company; (ii) any conduct, action or behavior by the Employee, whether or not in connection with the Employee's employment, including, without limitation, the commission of any felony or a lesser crime involving dishonesty, fraud, misappropriation, theft, wrongful taking of property, embezzlement, bribery, forgery, extortion or other crime of moral turpitude, that has or may reasonably be expected to have a material adverse effect on the reputation or business of the Company, Holdings, or their respective subsidiaries and affiliates (the ***"Company Group"***) or which results in gain or personal enrichment of the Employee to the detriment of the Company Group; (iii) a governmental authority, including, without limitation, the Environmental Protection Agency, the Food and Drug Administration or the Securities and Exchange Commission, has prohibited the Employee from working or being affiliated with the Company Group or the business conducted thereby; (iv) the commission of any act by the Employee of gross negligence, willful misconduct or malfeasance, or any willful violation of law, in each case, in connection with the Employee's performance of his duties with the Company Group; (v) Employee's failure to perform any material aspect of his lawful duties or responsibilities for the Company Group (other than by reason of Disability); (vi) the Employee's failure to observe material policies generally applicable to employees of the Company after a

written warning and a ten (10) day opportunity to cure; (vii) a breach by the Employee of the duty of loyalty owed by the Employee to the Company Group; or (viii) the Employee's chronic absenteeism, substance abuse, illegal drug use or habitual insobriety. ***"Without Cause"*** shall mean a termination by the Company of the Employee's employment during the Employment Period for any reason or under any circumstances other than a termination based upon Cause, death or Disability, including, without limitation, a non-renewal of the Employment Period by the Company.

(c) Good Reason. The Employee may terminate his employment during the Employment Period with or without Good Reason. For purposes of this Agreement, ***"Good Reason"*** shall mean the occurrence of one or more of the following without the Employee's written consent, provided that the Employee has given written notice to the Company within thirty (30) days following the initial occurrence of the event(s) giving rise to Good Reason, and which event remains uncured for thirty (30) days following the Company's receipt of written notice thereof from Employee: (i) removal by the Company of the Employee as Chief Executive Officer or as a member of the Board; (ii) a change in the Employee's direct reporting duty to a person other than the Board; or (iii) following a Change in Control where the Employee has not been involved in making this decision or is no longer Chief Executive Officer, a change in the geographic location at which the Employee must perform services to a location more than fifty (50) miles from Eagle, Idaho. For purposes of this Agreement, ***"Change in Control"*** has the meaning set forth in the Omnibus Plan.

(d) Notice of Termination. Any termination by the Company for Cause, Without Cause or for Disability or by the Employee for or without Good Reason, shall be communicated by Notice of Termination to the other party hereto. For purposes of this Agreement, a ***"Notice of Termination"*** means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated and (iii) if the date of termination is other than the date of receipt of such notice, specifies the termination date (the ***"Termination Date"***); *provided, however*, that in the event of a termination by the Employee without Good Reason or for Good Reason (if for Good Reason, so long as the notice and cure period requirements of Section 3(c) have been met), the Notice of Termination need only indicate the Termination Date, which shall not be less than thirty (30) days after the date of receipt of the Notice of Termination; *provided further,* that that after the receipt of the Notice of Termination, the Company may, in its discretion, accelerate the effective date of such termination at any time by written notice to the Employee.

(e) Post-Termination Cooperation. The Employee agrees and covenants that, following the Employment Period, he shall, to the extent reasonably requested in writing by the Company, cooperate in good faith with and assist the Company Group in the pursuit or defense of any claim, administrative charge, or cause of action by or against the Company Group as to which the Employee, by virtue of his employment with the Company, has relevant knowledge or information, including by acting as the Company's representative in any such proceeding and, without the necessity of a subpoena, providing truthful testimony in any jurisdiction or forum, excluding any claim, charge or cause of action brought by the Company Group against the Employee. The Company shall reimburse the Employee for his reasonable out-of-pocket expenses in complying with this Section 3(e).

(f) Post-Termination Nonassistance. The Employee agrees and covenants that, following the Employment Period, he shall not voluntarily assist, support, or cooperate with, directly or indirectly, any other person or entity alleging or pursuing or defending against any claim, administrative charge, or cause or action against or by the Company, as the case may be, including by providing testimony or other information or documents, except under compulsion of law. Should the employee be compelled to testify, nothing in this Agreement is intended to, or shall prohibit the Employee from, providing complete and truthful testimony. Nothing in this Agreement shall in any way prevent the Employee from cooperating with any investigation by any federal, state, or local governmental agency.

Section 4. Obligations of the Company upon Termination.

(a) Without Cause; For Good Reason. If the Company shall terminate the Employee's employment during the Employment Period Without Cause or if the Employee terminates his employment for Good Reason, then the Company shall provide the Employee with the following payments and/or benefits:

(i) the Company shall pay to the Employee, in each case through the Termination Date: (A) a lump sum in the amount of the Employee's earned but unpaid Annual Base Salary, subject to applicable withholding and payroll taxes, which shall be paid no later than the next pay date following the Termination Date (in accordance with the Company's customary payroll practices), and (B) reimbursement for any unpaid reimbursable expenses incurred by the Employee, which shall be paid in accordance with the Company's policies, practices and procedures in effect as of the Termination Date, (collectively, ***"Accrued Obligations"***);

(ii) subject to Section 4(c), the Company shall pay the Employee severance compensation in an amount equal to the greater of (A) Two Million Dollars ($2,000,000) or (B) the aggregate of two (2) times the sum of (x) his Annual Base Salary and (y) the Annual Bonus of Employee for the fiscal year ending immediately prior to the Termination Date (collectively, the ***"Severance Compensation"***). The Severance Compensation shall be payable in accordance with customary payroll practices (and subject to customary withholding and payroll taxes) as follows: (I) the first Two Million Dollars ($2,000,000) of the Severance Compensation shall be payable in a lump sum on the first regular payroll payment date following the date that is thirty (30) days after the Separation Date, and (II) the excess of the Severance Compensation over Two Million Dollars ($2,000,000), if any, shall be payable in substantially equal installments over the twenty-four (24) months following the Termination Date; provided, that no installment or portion of the Severance Compensation shall be payable or paid prior to the expiration of the applicable revocation period for the general release described in Section 4(c) below; and

(iii) subject to Section 4(c), immediate vesting as of the Termination Date of all outstanding equity-based awards (including immediate vesting at the target level of performance for equity-based awards that would otherwise vest based on performance, for performance periods that have not yet concluded as of the Termination Date) that are held by the Employee under the Omnibus Plan. The Company represents and warrants that

the Compensation Committee may accelerate vesting in the circumstances set forth in this Section 4(a)(iii) in its sole discretion.

(b) Cause; Death; Disability; By the Employee for Any Reason (Other than for Good Reason). If the Employee's employment shall be terminated due to the Employee's death or Disability, by the Company for Cause, or by the Employee for any reason (other than for Good Reason), then the Company shall have no further payment obligations to the Employee (or his estate or legal representative if applicable, in the case of death or Disability) other than for payment of the Accrued Obligations.

(c) Condition; Remedies. The Employee acknowledges and agrees that the Company's obligations pursuant to Sections 4(a)(ii) and 4(a)(iii) are conditioned on the execution, delivery and non-revocation by the Employee (or, if applicable, his executor, administrator or legal representative) of a general release in form and substance satisfactory to the Company within thirty (30) days following the Termination Date, and in the absence of the execution, delivery and non-revocation of such a timely general release or if such general release is subsequently revoked by the Employee, the Company shall have no obligation to make any such payments. The Company shall not have any obligation to make any payments whatsoever to the Employee with respect to his employment by the Company, or the termination of his employment, other than as set forth in this Agreement, and any and all rights of the Employee to any compensation or benefits in connection with his employment shall automatically and immediately terminate upon the termination of his employment, and the Employee covenants and agrees not to assert or pursue any other remedies, at law or in equity, with respect to any termination of employment. Notwithstanding anything to the contrary in this Agreement, if the payments set forth in Section 4(a)(ii) are subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "***Code***"), and the timing of the Employee's execution and delivery of the general release could affect the calendar year in which such payments commence because the Termination Date occurs within thirty (30) days prior to the end of a calendar year, then no portion of such payments shall be made until the Company's first payroll payment date in the year following the year in which the Termination Date occurs, and any amount that is not paid prior to such date due to such restriction shall be paid (subject to the applicable conditions) on that date.

(d) Resignation upon Termination. Notwithstanding anything to the contrary contained herein, upon termination of the Employee's employment for any reason or under any circumstance, unless otherwise requested by the Board, the Employee shall be deemed to have given the Company notice of his resignation from any and all positions as an officer of the Company and of any other member of the Company Group, as Chairman of the Board, and as a member of the Board or other similar governing body of the Company and or any other member of the Company Group, to the extent applicable. If, for any reason, this Section 4(d) is deemed to be insufficient to effectuate such resignations, then the Employee will, upon the Board or the Company's request, execute any documents or instruments that the Board or the Company may deem necessary or desirable to effectuate such resignations.

(e) Return of Company Property. Upon termination of the Employee's employment for any reason or under any circumstances, the Employee shall return any and all of the property of the Company Group (including, without limitation, all computers, keys, credit

cards, identification tags, documents, data, Confidential Information (as defined below) and Work Product (as defined below) and other proprietary materials) and all other materials.

Section 5. Non-Compete; Non-Solicitation.

(a) Non-Compete. During the Employment Period, including any period of automatic extension of the Employment Period, and for (i) four (4) years following the termination of the Employee's employment by the Company or by the Employee for any reason prior to December 31, 2020; or (ii) three (3) years following the termination of the Employee's employment by the Company or by the Employee for any reason on or after December 31, 2020 (the ***"Restricted Period"***), and irrespective of whether the Employee is entitled to severance, the Employee agrees that he shall not, and shall not permit his respective affiliates to, directly or indirectly through another person, engage in a Competitive Business (defined below) by providing any services similar to those provided during employment for the Company, including without limitation any business management, strategic planning, or sales services, advice, or expertise, or any related services, in any geographic location in which the Company Group is engaged in business, which includes the United States (the ***"Geographic Area"***). For purposes of this Agreement, ***"Competitive Business"*** shall mean (i) any business in the domestic pet health industry, including, without limitation, any business that is engaged in the acquisition, distribution, marketing, sale, resale, manufacture or production of veterinary pet prescription and over-the-counter medications, treats or related products, and providing preventative pet care and veterinarian services (collectively, the ***"Business"***), (ii) any business that develops, produces, manufacturers or sells products or services incidental or related to the Business, (iii) any other business directly or indirectly in competition with the Business and (iv) any other line of business in which the Company Group was engaged or was actively pursuing as of the Termination Date.

(b) Non-Solicitation. The Employee agrees that during the Employment Period, including any period of automatic extension of the Employment Period, and during the Restricted Period, the Employee shall not, and shall not permit his respective affiliates to, directly or indirectly through another person within the Geographic Area, to:

(i) hire any employee or independent contractor of the Company Group, or solicit, induce, recruit or encourage any such employee or independent contractor to leave the employ of, or reduce the services provided to, the Company Group, or encourage or attempt to do any of the foregoing, either for the Employee's own purposes or for any other person or entity.

(ii) (A) solicit, interfere with, subvert, disrupt or alter the relationship, contractual or otherwise, between the Company Group and any client, customer, contractor, vendor, supplier, licensor or licensee of the Company Group, or any prospective client, customer, contractor, vendor, supplier, licensor or licensee of the Company Group, (B) divert or take away or attempt to divert or take away the business or patronage (with respect to products or services of the kind or type developed, produced, marketed, furnished or sold by the Company) of any of the clients, customers or accounts, or prospective clients, customers or accounts, of the Company, or (C) encourage or attempt to do any of the foregoing, either for the Employee's own purposes or for any other person or entity.

(c) Acknowledgments. Employee acknowledges that the restrictions set forth in Sections 5(a) and 5(b) are fair and reasonable in all respects. Without limiting the foregoing, Employee makes the following acknowledgments:

(i) Employee will, by virtue of Employee's position with the Company, have and gain a high level of inside knowledge regarding the Company Group and its business, and as a result, will have the ability to harm or threaten its legitimate business interests, including without limitation, its goodwill, technologies, intellectual property, business plans, processes, methods of operation, customers, customer lists, referral sources, vendors and vendor contracts, financial and marketing information, and other trade secrets.

(ii) Employee will provide services or have significant presence or influence on behalf of the Company Group within the entire Geographic Area due to the nature of the Company Group's business, which is conducted extensively throughout the Geographic Area.

(iii) The type of activities restricted by Sections 5(a) and 5(b) would be in direct competition with the Company Group's business.

(iv) Employee has received sufficient consideration in exchange for the covenants made herein.

Section 6. Nondisclosure and Nonuse of Confidential Information.

(a) The Employee will not disclose or use at any time, either during the Employment Period or thereafter, any Confidential Information (as hereinafter defined) of which the Employee is or becomes aware, whether or not such information is developed by him, except to the extent that such disclosure or use is directly related to and required by the Employee's performance in good faith of duties assigned to the Employee by the Company or has been expressly authorized by the Board; *provided, however,* that this sentence shall not be deemed to prohibit the Employee from complying with any subpoena, order, judgment or decree of a court or governmental or regulatory agency of competent jurisdiction (an ***"Order"***); *provided, further, however*, that (i) the Employee agrees to provide the Company with prompt written notice of any such Order and to assist the Company, at the Company's expense, in asserting any legal challenges to or appeals of such Order that the Company in its sole discretion pursues, and (ii) in complying with any such Order, the Employee shall limit his disclosure only to the Confidential Information that is expressly required to be disclosed by such Order. The Employee will take all appropriate steps to safeguard Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft. The Employee shall deliver to the Company at the termination of the Employment Period, or at any time the Company may request, all memoranda, notes, plans, records, reports, electronic information, files and software and other documents and data (and copies thereof) relating to the Confidential Information or the Work Product (as hereinafter defined) of the business of the Company Group which the Employee may then possess or have under his control.

(b) As used in this Agreement, the term ***"Confidential Information"*** means information that is not generally known to the public (including the existence and content of this Agreement, except that the Employee shall have the right to disclose the existence and content of

this Agreement to his spouse, legal advisors and financial advisors) and that is used, developed or obtained by the Company Group in connection with its business, including, but not limited to, information, observations and data obtained by the Employee while employed by the Company Group or any predecessors thereof (including those obtained prior to the date of this Agreement) concerning (i) the business or affairs of the Company or any of its subsidiaries (or such predecessors), (ii) products or services, (iii) fees, costs and pricing structures, (iv) designs, (v) analyses, (vi) drawings, photographs and reports, (vii) computer software and hardware, including operating systems, applications and program listings, (viii) flow charts, manuals and documentation, (ix) databases and data, (x) accounting and business methods, (xi) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (xii) customers and clients and customer or client lists, (xiii) other copyrightable works, (xiv) all production methods, processes, technology and trade secrets, and (xv) all similar and related information in whatever form. Confidential Information will not include any information that is publicly known and made generally available through no wrongful act of the Employee or others who were under confidentiality obligations as to the information involved. Confidential Information will not be deemed to have been published merely because individual portions of the information have been separately published, but only if all material features comprising such information have been published in combination.

(c) For the avoidance of doubt, this Section 6 does not prohibit or restrict Employee (or Employee's attorney) from responding to any inquiry about the Agreement or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), any other self-regulatory organization or governmental entity, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Employee understands and acknowledges that he does not need the prior authorization of the Company to make any such reports or disclosures and that he is not required to notify the Company that he has made such reports or disclosures.

(d) Notwithstanding anything in this Section 6 or elsewhere in the Agreement to the contrary, Employee understands that Employee may, without informing the Company prior to any such disclosure, disclose Confidential Information (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, without informing the Company prior to any such disclosure, if Employee files a lawsuit against the Company for retaliation for reporting a suspected violation of law, Employee may disclose Confidential Information to his attorney and use the Confidential Information in the court proceeding or arbitration, provided that Employee files any document containing the Confidential Information under seal and does not otherwise disclose the Confidential Information, except pursuant to court order. Without prior authorization of the Company, however, the Company does not authorize Employee to disclose to any third party (including any government official or any attorney Employee may retain) any communications that are covered by the Company's attorney-client privilege.

Section 7. Property; Inventions and Patents.

(a) The Employee has attached hereto, as **Schedule A**, a list describing any Inventions (as defined below), which belong to the Employee, which were made by the Employee prior to his employment with the Company, which relate to the Company Group and which are not assigned to the Company under this Agreement (the ***"Prior Inventions"***). The Employee agrees that all inventions, innovations, improvements, technical information, systems, software developments, methods, designs, analyses, drawings, reports, service marks, trademarks, trade names, logos, products, equipment and all similar or related information and materials (whether patentable or unpatentable) (collectively, ***"Inventions"***) which relate to the Company Group's actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by the Employee (whether or not during usual business hours and whether or not alone or in conjunction with any other person) while employed (if and to the extent such Inventions result from any work performed for the Company, any use of the Company's premises or property or any use of the Company's Confidential Information) by the Company (including those conceived, developed or made prior to the date of this Agreement) together with all patent applications, letters patent, trademark, tradename and service mark applications or registrations, copyrights and reissues thereof that may be granted for or upon any of the foregoing (collectively referred to herein as, the ***"Work Product"***), excluding all Prior Inventions, belong in all instances to the Company or such affiliate. To the extent that any of the Prior Inventions are incorporated into the product, process or machine of the Company or any affiliate by the Employee, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, transferable, sublicensable, worldwide license to make, have made, modify, use and sell such Prior Invention as a part of or in connection with such product, process or machine. The Employee will promptly disclose such Work Product to the Company's General Counsel or his or her designee and perform all actions reasonably requested by the Company's General Counsel or his or her designee (whether during or after the Employment Period) to establish and confirm the Company's ownership of such Work Product (including, without limitation, the execution and delivery of assignments, consents, powers of attorney and other instruments) and to provide reasonable assistance to the Company Group (whether during or after the Employment Period) in connection with the prosecution of any applications for patents, trademarks, trade names, service marks or reissues thereof or in the prosecution or defense of interferences relating to any Work Product. The Employee recognizes and agrees that the Work Product, to the extent copyrightable, constitutes works for hire under the copyright laws of the United States and that to the extent Work Product constitutes works for hire, the Work Product is the exclusive property of the Company, and all right, title and interest in the Work Product vests in the Company. To the extent Work Product is not works for hire, the Work Product, and all of the Employee's right, title and interest in Work Product, including without limitation every priority right, is hereby assigned to the Company.

(b) Employee hereby represents and warrants that the patents and other assets owned by Employee set forth on **Schedule A** are not related in any way to the Company Group, except as stated therein. For the avoidance of doubt, if any invention (i) is developed by Employee entirely on his own time without using the Company's equipment, supplies, facilities or trade secret information and (ii) does not either (1) relate to the Company's business (or actual or demonstrably anticipated research or development) at the time of conception or reduction to practice of the invention or (2) result from any work performed by Employee for the Company, such invention shall not be deemed to be Work Product for purposes of this Agreement and shall not be subject to the provisions hereof relating to Work Product.

(c) The Employee shall assist and cooperate fully with the Company Group in obtaining for the Company Group the grant of letters patent, copyrights and any other intellectual property rights relating to the Work Product in the United States and/or such other countries as the Company Group may designate. With respect to Work Product, the Employee shall, during the Employment Period and at any time thereafter, execute all applications, statements, instruments of transfer, assignment, conveyance or confirmation, or other documents, furnish all such information to the Company Group and take all such other appropriate lawful actions as the Company Group requests.

Section 8. Acknowledgement and Enforcement.

(a) Employee acknowledges that he has become familiar, or will become familiar with the trade secrets of members of the Company Group's and with other confidential and proprietary information concerning members of the Company Group and their respective predecessors, successors, customers and suppliers, and that his services are of special, unique and extraordinary value to the Company. Employee acknowledges and agrees that the Company would not enter into this Agreement, providing for compensation and other benefits to Employee on the terms and conditions set forth herein, but for Employee's agreements herein (including those set forth in Sections 5, 6, and 7 herein). Furthermore, Employee acknowledges and agrees that the Company will be providing Employee with additional special knowledge after the Effective Date, with such special knowledge to include additional Confidential Information and trade secrets. Employee agrees that the covenants set forth in Sections 5, 6, and 7 (collectively, the "Restrictive Covenants") are reasonable and necessary to protect the Company Group's trade secrets and other Confidential Information, proprietary information, goodwill, stable workforce and customer relations.

(b) Without limiting the generality of Employee's agreement with the provisions of Section 8(a), Employee (i) represents that he is familiar with and has carefully considered the Restrictive Covenants, (ii) represents that he is fully aware of his obligations hereunder, (iii) agrees to the reasonableness of the length of time, scope and geographic coverage, as applicable, of the Restrictive Covenants, (iv) agrees that the Company currently conducts business throughout the Restricted Area and (v) agrees that the Restrictive Covenants will continue in effect for the applicable periods set forth above regardless of whether Employee is then entitled to receive severance pay or benefits from the Company. Employee believes that he has received and will receive sufficient consideration and other benefits as an employee of the Company and as otherwise provided hereunder or as described in the recitals hereto to clearly justify such restrictions.

(c) Because the Employee's services are special, unique and extraordinary and because the Employee has access to Confidential Information and Work Product, the parties hereto agree that money damages would be an inadequate remedy for any breach of this Agreement, including the Restrictive Covenants set forth herein. Therefore, in the event of a breach or threatened breach of this Agreement or any Restrictive Covenant herein, the Company Group and its successors or assigns may, in addition to other rights and remedies existing in their favor at law or in equity, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security).

Section 9. Assurances by the Employee.

The Employee represents and warrants to the Company that he may enter into this Agreement and fully perform all of his obligations under this Agreement and as an employee of the Company without breaching, violating, or conflicting with (i) any judgment, order, writ, decree, or injunction of any court, arbitrator, government agency, or other tribunal that applies to the Employee or (ii) any agreement, contract, obligation, or understanding to which the Employee is a party or may be bound.

Section 10. Non-Disparagement.

The Employee agrees that he will not make, or cause to be made, any statement, observation, or opinion, or communicate any information (whether oral or written) to any person, other than the Company's Human Resource Director, the Company's General Counsel, or a member of the Board, that disparages the Company Group, or is likely in any way to harm the business or the reputation of the Company Group, or any of their respective former, present or future managers, directors, officers, members, stockholders or employees.

Section 11. Termination of Severance Payments.

In addition to the foregoing, and not in any way in limitation thereof or in limitation of any right or remedy otherwise available to the Company, if the Employee violates any provision of this Agreement, or facts or circumstances have been made known that if known as of the Termination Date, the Employee would not have been entitled to the benefits of Sections 4(a)(ii) or 4(a)(iii), (i) the provisions set forth in Sections 4(a)(ii) and 4(a)(iii), and the Company's obligations thereunder, shall be terminated and of no further force or effect, without limiting or affecting the Employee's obligations under Sections 5, 6, 7, or 10, or the Company's other rights and remedies available at law or equity and (ii) the Employee shall promptly pay the Company any amounts received pursuant to Sections 4(a)(ii) and 4(a)(iii).

Section 12. General Provisions.

(a) Severability. It is the desire and intent of the parties hereto that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Agreement shall be adjudicated by a court of competent jurisdiction or arbitrator to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

(b) Entire Agreement. This Agreement embodies the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the parties,

written or oral, which may have related to the subject matter hereof in any way, including, but not limited to, the Original Employment Agreement.

(c) Counterparts. This Agreement may be executed in two (2) or more counterparts (delivery of which may be by facsimile or via email as a portable document format (.pdf)), each of which will be deemed an original, and it will not be necessary in making proof of this Agreement or the terms of this Agreement to produce or account for more than one (1) of such counterparts.

(d) Successors and Assigns: Beneficiaries. This Agreement is personal to the Employee and without the prior written consent of the Company shall not be assignable by the Employee. The obligations of the Employee hereunder shall be binding upon Employee's heirs, administrators, executors, assigns and other legal representatives. This Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the Company's successors and assigns.

(e) Governing Law. THIS AGREEMENT, AND THE TERMS AND CONDITIONS HEREUNDER, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF IDAHO, EXCEPT WITH RESPECT TO SECTION 12(k) HEREOF, WHICH SHALL BE GOVERNED BY THE FEDERAL ARBITRATION ACT.

(f) Amendment and Waiver. Subject to Section 12(a) hereof, the provisions of this Agreement may be amended and waived only with the prior written consent of the Employee and the Company, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall be construed as a waiver of such provisions or affect the validity, binding effect or enforceability of this Agreement or any provision hereof.

(g) Notices. All notices, requests, demands, claims, consents and other communications which are required or otherwise delivered hereunder shall be in writing and shall be deemed to have been duly given if (i) personally delivered or transmitted by electronic mail, (ii) sent by nationally recognized overnight courier, (iii) mailed by registered or certified mail with postage prepaid, return receipt requested, or (iv) transmitted by facsimile to the parties hereto at the following addresses (or at such other address for a party as shall be specified by like notice):

(i) if to the Company, to:

PetIQ, LLC
923 S. Bridgeway Place
Eagle, ID 83616
Attention: General Counsel
Facsimile: (208) 939-3200

(ii) if to the Employee, to his address set forth on the signature page hereto;

or to such other address as the party to whom such notice or other communication is to be given may have furnished to each other party in writing in accordance herewith. Any such notice or communication shall be deemed to have been received (i) when delivered, if personally

delivered or transmitted by electronic mail, with receipt acknowledgment by the recipient by return electronic mail, (ii) when sent, if sent by facsimile on a business day during normal business hours (or, if not sent on a business day during normal business hours, on the next business day after the date sent by facsimile), (iii) on the next business day after dispatch, if sent by nationally recognized, overnight courier guaranteeing next business day delivery, and (iv) on the fifth (5th) business day following the date on which the piece of mail containing such communication is posted, if sent by mail.

(h) Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

(i) Construction. Where specific language is used to clarify by example a general statement contained herein, such specific language shall not be deemed to modify, limit or restrict in any manner the construction of the general statement to which it relates. The language used in this Agreement shall be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against any party.

(j) Right of Set Off. In the event of a breach by the Employee of the provisions of this Agreement, the Company is hereby authorized at any time and from time to time, to the fullest extent permitted by law and after ten (10) days prior written notice to Employee, to set-off and apply any and all amounts at any time held by the Company on behalf of the Employee and all indebtedness at any time owing by the Company to the Employee against any and all of the obligations of the Employee now or hereafter existing.

(k) Arbitration; Waiver of Jury Trial. With the exception of equitable relief as noted in Section 8 hereof, any controversy or claim arising out of or relating to this Agreement or the breach thereof (including, without limitation, as to arbitrability and any disputes with respect to Employee's employment with the Company or the termination of such employment, including, without limitation, any claim for alleged discrimination, harassment or retaliation on the basis of race, sex, color, national origin, sexual orientation, age, religion, creed, marital status, veteran status, alienage, citizenship, disability or handicap, or any other legally protected status, and any alleged violation of any federal, state, or other governmental law, statute or regulation, including, but not limited to, claims arising under Title VII of the Civil Rights Act of 1964, other civil rights statutes including, without limitation, 42 U.S.C. § 1981, 42 U.S.C. § 1982, and 42 U.S.C. § 1985, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act, the Employee Retirement Income Security Act, the Occupational Safety and Health Act, the Immigration Reform and Control Act, or any state or local law, as amended), shall be settled by individual arbitration (as opposed to class or collective arbitration) administered before JAMS (the ***"Arbitrator"***) under the common rules then pertaining. The arbitration hearing shall commence within ninety (90) calendar days after the Arbitrator is selected, unless the Company and the Employee mutually agree to extend this time period. The arbitration shall take place in the State of Idaho. The Arbitrator will have full power to give directions and make such orders as the Arbitrator deems just, and to award all remedies that would be available in court. Nonetheless, the Arbitrator explicitly shall not have the authority, power, or right to alter, change, amend, modify, add, or subtract from any provision of this Agreement, except pursuant to Section 12(a). The Arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the

Arbitrator's award or decision is based within thirty (30) days after the conclusion of the arbitration hearing. The award rendered by the Arbitrator shall be final and binding (absent fraud or manifest error), and any arbitration award may be enforced by judgment entered or vacated in any court of competent jurisdiction. The prevailing party shall be reimbursed by the other party to the action for reasonable attorneys' fees and expenses relating to such action, with the exception of any action by an employee alleging a civil rights or statutory cause of action, in which case the Company shall pay the filing fees and costs of the arbitration and each party shall be responsible for its own attorneys' fees and costs, provided that the arbitrator may grant any remedy or relief that a party could obtain from a court of competent jurisdiction on the basis of such claims.

(l) Nouns and Pronouns. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice-versa.

(m) 409A Compliance. To the extent any provision of this Agreement or action by the Company would subject the Employee to liability for interest or additional taxes under Section 409A of the Code, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Company. It is intended that this Agreement will comply with Code Section 409A and the interpretive guidance thereunder, including the exceptions for short-term deferrals, separation pay arrangements, reimbursements, and in-kind distributions, and this Agreement shall be administered accordingly, and interpreted and construed on a basis consistent with such intent. All references in this Agreement to the Employee's termination of employment shall mean a "separation from service" within the meaning of Code Section 409A and Treasury Regulation Section 1.409A-1(h)(l)(ii). Notwithstanding anything to the contrary herein, if the Employee is a "specified employee" as defined in Code Section 409A, any portion of the amounts payable under this Agreement as a result of a termination of employment that are not eligible for any of the exceptions to the application of Code Section 409A (such as the severance pay exception or the short-term deferral exception), shall not be paid to the Employee until the earlier of (i) the expiration of the six (6)-month period measured from the date of the Employee's "separation from service" or (ii) the Employee's death. Any series of payments hereunder shall be considered a series of separate payments for purposes of Code Section 409A. To the extent any reimbursements or in-kind benefit payments under this Agreement are subject to Code Section 409A, such reimbursements and in-kind benefit payments shall be made in accordance with Treasury Regulation §1.409A-3(i)(l)(iv) (or any similar or successor provisions). This Agreement may be amended to the extent necessary (including retroactively) by the Company in order to preserve compliance with Code Section 409A. The preceding shall not be construed as a guarantee of any particular tax effect for the Employee's compensation and benefits and the Company does not guarantee that any compensation or benefits provided under this Agreement will satisfy the provisions of Code Section 409A.

(n) Survival. For the avoidance of doubt, the obligations of the Employee under Sections 3(d), 3(e), 4(d), 4(e), and 5-12 (and all subsections thereto) shall survive the end of the Employment Period or the termination of this Agreement or the Employee's employment for any reason (whether such termination is by the Company, by the Employee, or otherwise).

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement as of the date first written above.

PETIQ, LLC

By: /s/ Susan Sholtis
Name: Susan Sholtis
Title: President

EMPLOYEE

/s/ McCord Christensen
McCord Christensen

Address: 923 S. Bridgeway Pl .
Eagle, ID 83616

SCHEDULE A

LIST OF PRIOR INVENTIONS
AND ORIGINAL WORKS OF AUTHORSHIP

Title	Date	Identifying Number or Brief Description

Signature of Employee: /s/ McCord Christensen

Print Name of Employee: McCord Christensen

Date: May 9, 2019

Exhibit 10.2

EMPLOYMENT AND NON-COMPETITION AGREEMENT

EMPLOYMENT AND NON-COMPETITION AGREEMENT (this "***Agreement'***) dated as of May 9, 2019 (the "Effective Date"), between PetIQ, LLC, an Idaho limited liability company (the "***Company***"), and John Newland (the "***Employee***").

WHEREAS, the Company and the Employee desire to enter into this Agreement in order to set forth the respective rights and obligations of the parties with respect to the Employee's employment with the Company.

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Employment Period.

Subject to terms and conditions of this Agreement, the Employee's employment with the Company shall continue for a period commencing on the Effective Date and ending on the first (1st) anniversary of the Effective Date, unless earlier terminated in accordance with the terms hereof (the "***Employment Period***"). The Employment Period shall be automatically extended for a twelve-month period unless either party gives notice to the other party of its intention to terminate this Agreement no later than sixty (60) days prior to the end of the then-existing Employment Period. From and after the expiration of the Employment Period, the Employee will not be entitled to any rights or benefits (including, without limitation, any severance pursuant to this Agreement or any Company program, policy or otherwise) other than payment of any earned but unpaid wages.

Section 2. Terms of Employment.

(a) Position. During the Employment Period, the Employee shall serve as Chief Financial Officer of the Company and shall report to the Chief Executive Officer of the Company (the "***CEO***"). The Employee shall, subject to the direction and supervision of the CEO, have supervision and control over, and responsibility for, such management and operational functions of the Company currently assigned to such position and shall have such other powers and duties (including holding officer positions with the Company and one or more subsidiaries of the Company) as may from time to time be prescribed by the CEO consistent with the Employee's position as Chief Financial Officer of the Company.

(b) Full Time. During the Employment Period, and excluding any periods of vacation and sick leave to which the Employee is entitled, the Employee agrees to devote his full business time and efforts, to the best of his ability, experience and talent, to the business and affairs of the Company.

(c) Compensation.

(i) Base Salary. During the Employment Period, the Employee shall receive an annual base salary of $386,250, less applicable withholdings, which annual base salary shall be subject to adjustment as determined by the Compensation Committee of the

Board of Directors of PetIQ, Inc. (the "***Compensation Committee***") (as so adjusted, the "***Annual Base Salary***"). The Annual Base Salary shall be paid in accordance with the customary payroll practices of the Company, subject to applicable withholding and other payroll taxes.

(ii) Bonuses. During the Employment Period, beginning for the 2019 calendar year (payable in 2020), the Employee shall be eligible to participate in the Company's annual cash bonus plan as determined by the Compensation Committee in its sole discretion (the "***Annual Bonus***"). It is anticipated that Employee's Annual Bonus would be targeted as 100% of Employee's Annual Base Salary, based upon personal performance and the Company meeting EBITDA targets. The Annual Bonus shall be paid as, when and if determined by the Compensation Committee, subject to applicable withholding and other payroll taxes, and subject to Employee's continued employment through the Annual Bonus payment date.

(iii) Equity-Based Compensation. During the Employment Period, the Employee shall be eligible to participate in, and receive awards of equity-based compensation under, the PetIQ, Inc. 2017 Omnibus Incentive Plan or applicable successor plan, as determined by the Compensation Committee in its discretion.

(iv) Expenses. During the Employment Period, the Employee shall be entitled to receive reimbursement for all reasonable and documented expenses incurred by the Employee in connection with the performance of his duties hereunder, in accordance with the policies, practices and procedures of the Company as in effect from time to time.

(v) Vacation and Holidays. During the Employment Period, the Employee shall be entitled to paid holidays and four (4) weeks' paid vacation in accordance with the policies of the Company applicable to other employees of the Company generally.

(vi) Benefits. The Employee shall be entitled to participate in such employee benefit plans or programs in accordance with the policies of the Company applicable to other executive-level employees of the Company.

Section 3. Termination of Employment.

(a) Death or Disability. The Employee's employment shall terminate automatically upon the Employee's death. The Company may also terminate the Employee's employment due to Disability. For purposes of this Agreement, the Employee shall be deemed "***Disabled***" and shall be subject to termination due to Disability, if the Employee is unable to perform the essential functions of his position, with or without reasonable accommodation, for any ninety (90) days during a period of one hundred eighty (180) consecutive days (excluding any days of paid vacation used by the Employee in accordance with the Company's paid time off policy), due to mental or physical disability as determined by a physician selected by the Company and reasonably acceptable to the Employee. If the Employee is Disabled, the Company may elect to terminate the Employee's employment hereunder by giving Notice of Termination (as defined below) to the Employee (such termination to be effective upon receipt of such notice); *provided*, *however*, that the Company may not terminate the Employee's employment unless, at the time the

Company gives the Notice of Termination, the Employee continues to have a physical or mental disability that, in the opinion of a physician selected by Company and reasonably acceptable to the Employee, may be expected to prevent the Employee from performing any of his duties hereunder for any period of time in excess of the ninety (90) days rendering him Disabled. The parties acknowledge and agree that the Company will suffer an undue hardship under the circumstances set forth in the previous provision.

(b) Cause. The Employee's employment may be terminated at any time by the Company for Cause (as defined below) or Without Cause (as defined below). For purposes of this Agreement, "***Cause***" shall mean: (i) a breach by the Employee of any material provision of this Agreement, which, if curable, is not cured within ten (10) days after the Employee's receipt from the Company of written notice of such breach; (ii) any conduct, action or behavior by the Employee, whether or not in connection with the Employee's employment, including, without limitation, the commission of any felony or a lesser crime involving dishonesty, fraud, misappropriation, theft, wrongful taking of property, embezzlement, bribery, forgery, extortion or other crime of moral turpitude, that has or may reasonably be expected to have a material adverse effect on the reputation or business of the Company, Holdings, or their respective subsidiaries and affiliates (the "***Company Group***") or which results in gain or personal enrichment of the Employee to the detriment of the Company Group; (iii) a governmental authority, including, without limitation, the Environmental Protection Agency or the Food and Drug Administration, has prohibited the Employee from working or being affiliated with the Company Group or the business conducted thereby; (iv) the commission of any act by the Employee of gross negligence or malfeasance, or any willful violation of law, in each case, in connection with the Employee's performance of his duties with the Company Group; (v) performance of the Employee's duties in an unsatisfactory manner after a written warning and a ten (10) day opportunity to cure or failure to observe material policies generally applicable to employees after a written warning and a ten (10) day opportunity to cure; (vi) breach of the Employee's duty of loyalty to the Company Group; (vii) chronic absenteeism; (viii) substance abuse, illegal drug use or habitual insobriety; or (ix) violation of obligations of confidentiality to any third party in the course of providing services to the Company Group. "***Without Cause***" shall mean a termination by the Company of the Employee's employment during the Employment Period for any reason or under any circumstances other than a termination based upon Cause, death or Disability.

(c) Notice of Termination. Any termination by the Company for Cause, Without Cause or for Disability or by the Employee for any reason, shall be communicated by Notice of Termination to the other party hereto. For purposes of this Agreement, a "***Notice of Termination***" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated and (iii) if the date of termination is other than the date of receipt of such notice, specifies the termination date (the "***Termination Date***"); provided, however, that in the event of a termination by the Employee for any reason, the Notice of Termination need only indicate the Termination Date, which shall not be less than thirty (30) days after the date of receipt of the Notice of Termination.

(d) Post-Termination Cooperation. The Employee agrees and covenants that, following the Employment Period, he shall, to the extent reasonably requested in writing by the

Company, cooperate in good faith with and assist the Company Group in the pursuit or defense of any claim, administrative charge, or cause of action by or against the Company Group as to which the Employee, by virtue of his employment with the Company, has relevant knowledge or information, including by acting as the Company's representative in any such proceeding and, without the necessity of a subpoena, providing truthful testimony in any jurisdiction or forum, excluding any claim, charge or cause of action brought by the Company Group against the Employee. The Company shall reimburse the Employee for his reasonable out-of-pocket expenses in complying with this Section 3(d).

(e) Post-Termination Nonassistance. The Employee agrees and covenants that, following the Employment Period, he shall not voluntarily assist, support, or cooperate with, directly or indirectly, any other person or entity alleging or pursuing or defending against any claim, administrative charge, or cause or action against or by the Company, as the case may be, including by providing testimony or other information or documents, except under compulsion of law. Should the employee be compelled to testify, nothing in this Agreement is intended to, or shall prohibit the Employee from, providing complete and truthful testimony. Nothing in this Agreement shall in any way prevent the Employee from cooperating with any investigation by any federal, state, or local governmental agency.

Section 4. Obligations of the Company upon Termination.

(a) Without Cause. If the Company shall terminate the Employee's employment during the Employment Period Without Cause, then the Company shall provide the Employee with the following payments and/or benefits:

(i) the Company shall pay to the Employee, in each case through the Termination Date: (A) a lump sum in the amount of the Employee's earned but unpaid Annual Base Salary, subject to applicable withholding and payroll taxes, which shall be paid no later than the next pay date following the Termination Date (in accordance with the Company's customary payroll practices), and (B) reimbursement for any unpaid reimbursable expenses incurred by the Employee, which shall be paid in accordance with the Company's policies, practices and procedures in effect as of the Termination Date, (collectively, "***Accrued Obligations***"); and

(ii) subject to Section 4(c), the Company shall continue to pay the Employee his Annual Base Salary in accordance with customary payroll practices (and subject to customary withholding and payroll taxes) for twelve (12) months from the Termination Date (the "***Severance Payment***"); provided, that no installment or portion of the Severance Payment shall be payable or paid prior to the expiration of the applicable revocation period for the general release described in Section 4(c) below.

(b) Cause; Death; Disability; By the Employee for Any Reason; Expiration of Employment Period. If the Employee's employment shall be terminated due to the Employee's death or Disability, by the Company for Cause, by the Employee for any reason or upon the expiration of the Employment Period following a notice of non-extension by either party, then the Company shall have no further payment obligations to the Employee (or his estate or legal

representative if applicable, in the case of death or Disability) other than for payment of the Accrued Obligations.

(c) Condition; Remedies. The Employee acknowledges and agrees that the Company's obligations pursuant to this Section 4 (other than with respect to the Accrued Obligations or as otherwise required by law) are conditioned on the execution and delivery by the Employee (or, if applicable, his executor, administrator or legal representative) of a general release in form and substance satisfactory to the Company within thirty (30) days following the Termination Date, and in the absence of the execution and delivery of such a timely general release or if such general release is subsequently revoked by the Employee, the Company shall have no obligation to make any such payments. The Company shall not have any obligation to make any payments whatsoever to the Employee with respect to his employment by the Company, or the termination of his employment, other than as set forth in this Agreement, and any and all rights of the Employee to any compensation or benefits in connection with his employment shall automatically and immediately terminate upon the termination of his employment, and the Employee covenants and agrees not to assert or pursue any other remedies, at law or in equity, with respect to any termination of employment. Notwithstanding anything to the contrary in this Agreement, if the payments set forth in Section 4(a)(ii) are subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "***Code***"), and the timing of the Employee's execution and delivery of the general release could affect the calendar year in which such payments commence because the Termination Date occurs within thirty (30) days prior to the end of a calendar year, then no portion of such payments shall be made until the Company's first payroll payment date in the year following the year in which the Termination Date occurs, and any amount that is not paid prior to such date due to such restriction shall be paid (subject to the applicable conditions) on that date.

(d) Resignation upon Termination. Notwithstanding anything to the contrary contained herein, upon termination of the Employee's employment for any reason or under any circumstance, the Employee shall be deemed to have given the Company notice of his resignation from any and all positions as officer of the Company and its subsidiaries and, if the Employee was terminated for Cause, as a member of the PetIQ, Inc. Board of Directors or other similar governing body of the Company and its subsidiaries, to the extent applicable.

(e) Return of Company Property. Upon termination of the Employee's employment for any reason or under any circumstances, the Employee shall return any and all of the property of the Company Group (including, without limitation, all computers, keys, credit cards, identification tags, documents, data, Confidential Information (as defined below) and Work Product (as defined below) and other proprietary materials) and all other materials.

Section 5. Non-Compete; Non-Solicitation.

(a) Non-Compete. The Employee agrees that during the Employment Period, including any period of automatic extension of the Employment Period, and for a period of twelve (12) months thereafter (the "***Restricted Period***"), the Employee agrees that he shall not, and shall not permit his respective affiliates to, directly or indirectly through another person, engage in a Competitive Business (defined below) by providing any services similar to those provided during employment for the Company, including without limitation any business management, strategic

planning, or sales services, advice, or expertise, or any related services, in any geographic location in which the Company Group is engaged in business, which includes the United States (the "***Geographic Area***"). For purposes of this Agreement, "Competitive Business" shall mean any business that is engaged in the acquisition, distribution, marketing, sale, resale, manufacture or production of veterinary pet prescription and over-the-counter medications or related products, and providing preventative pet care and veterinarian services, and all matters and services incidental or related thereto, or any other business in competition with the business conducted by (or actively being contemplated by) the Company Group.

(b) Non-Solicitation.

(i) The Employee agrees that during the Employment Period, including any period of automatic extension of the Employment Period, and during the Restricted Period, the Employee shall not, and shall not permit his respective affiliates to, directly or indirectly through another person within the Geographic Area, to hire any employee or independent contractor of the Company Group, or solicit, induce, recruit or encourage any such employee or independent contractor to leave the employ of, or reduce the services provided to, the Company Group, or encourage or attempt to do any of the foregoing, either for the Employee's own purposes or for any other person or entity.

(ii) During the Employment Period, including any period of automatic extension of the Employment Period, and during the Restricted Period, the Employee agrees that he shall not, and shall not permit his respective affiliates to, directly or indirectly through another person within the Geographic Area, (A) solicit, interfere with, subvert, disrupt or alter the relationship, contractual or otherwise, between the Company Group and any client, customer, contractor, vendor, supplier, licensor or licensee of the Company Group, or any prospective client, customer, contractor, vendor, supplier, licensor or licensee of the Company Group, (B) divert or take away or attempt to divert or take away the business or patronage (with respect to products or services of the kind or type developed, produced, marketed, furnished or sold by the Company) of any of the clients, customers or accounts, or prospective clients, customers or accounts, of the Company, or (C) encourage or attempt to do any of the foregoing, either for the Employee's own purposes or for any other person or entity.

(c) Acknowledgments. Employee acknowledges that the restrictions set forth in Sections 5(a) and 5(b) are fair and reasonable in all respects. Without limiting the foregoing, Employee makes the following acknowledgments:

(i) Employee will, by virtue of Employee's position with the Company, have and gain a high level of inside knowledge regarding the Company Group and its business, and as a result, will have the ability to harm or threaten its legitimate business interests, including without limitation, its goodwill, technologies, intellectual property, business plans, processes, methods of operation, customers, customer lists, referral sources, vendors and vendor contracts, financial and marketing information, and other trade secrets.

(ii) Employee will provide services or have significant presence or influence on behalf of the Company Group within the entire Geographic Area due to the

nature of the Company Group's business, which is conducted extensively' throughout the Geographic Area.

(iii) Employee has received sufficient consideration in exchange for the covenants made herein.

Section 6. Nondisclosure and Nonuse of Confidential Information.

(a) The Employee will not disclose or use at any time, either during the Employment Period or thereafter, any Confidential Information (as hereinafter defined) of which the Employee is or becomes aware, whether or not such information is developed by him, except to the extent that such disclosure or use is directly related to and required by the Employee's performance in good faith of duties assigned to the Employee by the Company or has been expressly authorized by the CEO or his designee; *provided*, *however*, that this sentence shall not be deemed to prohibit the Employee from complying with any subpoena, order, judgment or decree of a court or governmental or regulatory agency of competent jurisdiction (an "***Order***"); *provided*, *further*, *however*, that (i) the Employee agrees to provide the Company with prompt written notice of any such Order and to assist the Company, at the Company's expense, in asserting any legal challenges to or appeals of such Order that the Company in its sole discretion pursues, and (ii) in complying with any such Order, the Employee shall limit his disclosure only to the Confidential Information that is expressly required to be disclosed by such Order. The Employee will take all appropriate steps to safeguard Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft. The Employee shall deliver to the Company at the termination of the Employment Period, or at any time the Company may request, all memoranda, notes, plans, records, reports, electronic information, files and software and other documents and data (and copies thereof) relating to the Confidential Information or the Work Product (as hereinafter defined) of the business of the Company Group which the Employee may then possess or have under his control.

(b) As used in this Agreement, the term "***Confidential Information***" means information that is not generally known to the public (including the existence and content of this Agreement, except that the Employee shall have the right to disclose the existence and content of this Agreement to his spouse, legal advisors and financial advisors) and that is used, developed or obtained by the Company Group in connection with its business, including, but not limited to, information, observations and data obtained by the Employee while employed by the Company Group or any predecessors thereof (including those obtained prior to the date of this Agreement) concerning (i) the business or affairs of the Company or any of its subsidiaries (or such predecessors), (ii) products or services, (iii) fees, costs and pricing structures, (iv) designs, (v) analyses, (vi) drawings, photographs and reports, (vii) computer software and hardware, including operating systems, applications and program listings, (viii) flow charts, manuals and documentation, (ix) databases and data, (x) accounting and business methods, (xi) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (xii) customers and clients and customer or client lists, (xiii) other copyrightable works, (xiv) all production methods, processes, technology and trade secrets, and (xv) all similar and related information in whatever form. Confidential Information will not include any information that is publicly known and made generally available through no wrongful act of the Employee or others who were under confidentiality obligations as to the information

involved. Confidential Information will not be deemed to have been published merely because individual portions of the information have been separately published, but only if all material features comprising such information have been published in combination.

(c) For the avoidance of doubt, Section 6(a) does not prohibit or restrict Employee (or Employee's attorney) from responding to any inquiry about the Agreement or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), any other self-regulatory organization or governmental entity, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Employee understands and acknowledges that he does not need the prior authorization of the Company to make any such reports or disclosures and that he is not required to notify the Company that he has made such reports or disclosures.

(d) Notwithstanding anything in Section 6(a) or elsewhere in the Agreement to the contrary, Employee understands that Employee may, without informing the Company prior to any such disclosure, disclose Confidential Information (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, without informing the Company prior to any such disclosure, if Employee files a lawsuit against the Company for retaliation for reporting a suspected violation of law, Employee may disclose Confidential Information to his attorney and use the Confidential Information in the court proceeding or arbitration, provided that Employee files any document containing the Confidential Information under seal and does not otherwise disclose the Confidential Information, except pursuant to court order. Without prior authorization of the Company, however, the Company does not authorize Employee to disclose to any third party (including any government official or any attorney Employee may retain) any communications that are covered by the Company's attorney-client privilege.

Section 7. Property; Inventions and Patents.

(a) The Employee has attached hereto, as **Schedule A**, a list describing any Inventions (as defined below), which belong to the Employee, which were made by the Employee prior to his employment with the Company, which relate to the Company Group and which are not assigned to the Company under this Agreement (the "***Prior Inventions***"). The Employee agrees that all inventions, innovations, improvements, technical information, systems, software developments, methods, designs, analyses, drawings, reports, service marks, trademarks, trade names, logos, products, equipment and all similar or related information and materials (whether patentable or unpatentable) (collectively, "***Inventions***") which relate to the Company Group's actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by the Employee (whether or not during usual business hours and whether or not alone or in conjunction with any other person) while employed (if and to the extent such Inventions result from any work performed for the Company, any use of the Company's premises or property or any use of the Company's Confidential Information) by the Company (including those conceived, developed or made prior to the date of this Agreement) together with all patent applications, letters patent, trademark, tradename and service mark applications or registrations, copyrights and reissues thereof that may be granted for or upon any

of the foregoing (collectively referred to herein as, the "***Work Product***"), excluding all Prior Inventions, belong in all instances to the Company or such affiliate. To the extent that any of the Prior Inventions are incorporated into the product, process or machine of the Company or any affiliate by the Employee, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, transferable, sublicensable, worldwide license to make, have made, modify, use and sell such Prior Invention as a part of or in connection with such product, process or machine. The Employee will promptly disclose such Work Product to the Company's General Counsel or his designee and perform all actions reasonably requested by the Company's General Counsel or his designee (whether during or after the Employment Period) to establish and confirm the Company's ownership of such Work Product (including, without limitation, the execution and delivery of assignments, consents, powers of attorney and other instruments) and to provide reasonable assistance to the Company Group (whether during or after the Employment Period) in connection with the prosecution of any applications for patents, trademarks, trade names, service marks or reissues thereof or in the prosecution or defense of interferences relating to any Work Product. The Employee recognizes and agrees that the Work Product, to the extent copyrightable, constitutes works for hire under the copyright laws of the United States and that to the extent Work Product constitutes works for hire, the Work Product is the exclusive property of the Company, and all right, title and interest in the Work Product vests in the Company. To the extent Work Product is not works for hire, the Work Product, and all of the Employee's right, title and interest in Work Product, including without limitation every priority right, is hereby assigned to the Company.

(b) Employee hereby represents and warrants that the patents and other assets owned by Employee set forth on **Schedule A** are not related in any way to the Company Group, except as stated therein. For the avoidance of doubt, if any invention (i) is developed by Employee entirely on his own time without using the Company's equipment, supplies, facilities or trade secret information and (ii) does not either (1) relate to the Company's business (or actual or demonstrably anticipated research or development) at the time of conception or reduction to practice of the invention or (2) result from any work performed by Employee for the Company, such invention shall not be deemed to be Work Product for purposes of this Agreement and shall not be subject to the provisions hereof relating to Work Product.

(c) The Employee shall assist and cooperate fully with the Company and its affiliates in obtaining for the Company and its affiliates the grant of letters patent, copyrights and any other intellectual property rights relating to the Work Product in the United States and/or such other countries as the Company and its affiliates may designate. With respect to Work Product, the Employee shall, during the Employment Period and at any time thereafter, execute all applications, statements, instruments of transfer, assignment, conveyance or confirmation, or other documents, furnish all such information to the Company and its affiliates and take all such other appropriate lawful actions as the Company and its affiliates requests.

Section 8. Acknowledgement and Enforcement.

(a) Employee acknowledges that he has become familiar, or will become familiar with the trade secrets of the members of the Company Group and with other confidential and proprietary information concerning members of the Company Group and their respective predecessors, successors, customers and suppliers, and that his services are of special, unique and

extraordinary value to the Company. Employee acknowledges and agrees that the Company would not enter into this Agreement, providing for compensation and other benefits to Employee on the terms and conditions set forth herein but for Employee's agreements herein (including those set forth in Sections 5, 6, and 7 herein). Furthermore, Employee acknowledges and agrees that the Company will be providing Employee with additional special knowledge after the Effective Date, with such special knowledge to include additional Confidential Information and trade secrets. Employee agrees that the covenants set forth in Sections 5, 6, and 7 (collectively, the "Restrictive Covenants") are reasonable and necessary to protect the Company Group's trade secrets and other Confidential Information, proprietary information, goodwill, stable workforce and customer relations.

(b) Without limiting the generality of Employee's agreement with the provisions of Section 8(a), Employee (i) represents that he is familiar with and has carefully considered the Restrictive Covenants, (ii) represents that he is fully aware of his obligations hereunder, (iii) agrees to the reasonableness of the length of time, scope and geographic coverage, as applicable, of the Restrictive Covenants, (iv) agrees that the Company currently conducts business throughout the Restricted Area and (v) agrees that the Restrictive Covenants will continue in effect for the applicable periods set forth above regardless of whether Employee is then entitled to receive severance pay or benefits from the Company. Employee believes that he has received and will receive sufficient consideration and other benefits as an employee of the Company and as otherwise provided hereunder or as described in the recitals hereto to clearly justify such restrictions.

(c) Because the Employee's services are special, unique and extraordinary and because the Employee has access to Confidential Information and Work Product, the parties hereto agree that money damages would be an inadequate remedy for any breach of this Agreement, including the Restrictive Covenants set forth herein. Therefore, in the event of a breach or threatened breach of this Agreement, or any Restrictive Covenant herein. the Company Group and its successors or assigns may, in addition to other rights and remedies existing in their favor at law or in equity, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security).

Section 9. Assurances by the Employee.

The Employee represents and warrants to the Company that he may enter into this Agreement and fully perform all of his obligations under this Agreement and as an employee of the Company without breaching, violating, or conflicting with (i) any judgment, order, writ, decree, or injunction of any court, arbitrator, government agency, or other tribunal that applies to the Employee or (ii) any agreement, contract, obligation, or understanding to which the Employee is a party or may be bound.

Section 10. Non-Disparagement.

The Employee agrees that he will not make, or cause to be made, any statement, observation, or opinion, or communicate any information (whether oral or written), to any person other than the CEO or his designee, the Company's Human Resource Director, the Company's

General Counsel, or PetIQ, Inc.'s Board of Directors, that disparages the Company Group, or is likely in any way to harm the business or the reputation of the Company Group, or any of their respective former, present or future managers, directors, officers, members, stockholders or employees.

Section 11. Termination of Severance Payments.

In addition to the foregoing, and not in any way in limitation thereof or in limitation of any right or remedy otherwise available to the Company, if the Employee violates any provision of this Agreement, or facts or circumstances have been made known that if known as of the Termination Date, the Employee would not have been entitled to the benefits of Section 4(a)(ii), (i) the provisions set forth in Section 4(a)(ii), and the Company's obligations thereunder, shall be terminated and of no further force or effect, without limiting or affecting the Employee's obligations under Sections 5, 6, 7, or 10, or the Company's other rights and remedies available at law or equity and (ii) the Employee shall promptly pay the Company any amounts received pursuant to Section 4(a)(ii).

Section 12. General Provisions.

(a) Severability. It is the desire and intent of the parties hereto that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought, Accordingly, if any particular provision of this Agreement shall be adjudicated by a court of competent jurisdiction or arbitrator to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

(b) Entire Agreement. This Agreement embodies the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way, including, but not limited to, all prior employment agreements, offer letters, and term sheets describing the terms and conditions of employment of the Employee, including, without limitation, that certain Offer Letter, dated as of March 6, 2014, by and between the Company and the Employee; provided that, this Agreement shall not supersede any confidentiality, intellectual property assignment, non-competition, and non-solicitation covenants contained in any other agreement to which Employee is a party.

(c) Counterparts. This Agreement may be executed in two (2) or more counterparts (delivery of which may be by facsimile or via email as a portable document format (.pdf)), each of which will be deemed an original, and it will not be necessary in making proof of this Agreement or the terms of this Agreement to produce or account for more than one (1) of such counterparts.

(d) Successors and Assigns: Beneficiaries. This Agreement is personal to the Employee and without the prior written consent of the Company shall not be assignable by the Employee. The obligations of the Employee hereunder shall be binding upon Employee's heirs, administrators, executors, assigns and other legal representatives. This Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the Company's successors and assigns.

(e) Governing Law. THIS AGREEMENT, AND THE TERMS AND CONDITIONS HEREUNDER, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF IDAHO, EXCEPT WITH RESPECT TO SECTION 12(k) HEREOF, WHICH SHALL BE GOVERNED BY THE FEDERAL ARBITRATION ACT.

(f) Amendment and Waiver. Subject to Section 12(a) hereof, the provisions of this Agreement may be amended and waived only with the prior written consent of the Employee and the Company, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall be construed as a waiver of such provisions or affect the validity, binding effect or enforceability of this Agreement or any provision hereof.

(g) Notices. All notices, requests, demands, claims, consents and other communications which are required or otherwise delivered hereunder shall be in writing and shall be deemed to have been duly given if (i) personally delivered or transmitted by electronic mail, (ii) sent by nationally recognized overnight courier, (iii) mailed by registered or certified mail with postage prepaid, return receipt requested, or (iv) transmitted by facsimile to the parties hereto at the following addresses (or at such other address for a party as shall be specified by like notice):

(i) if to the Company, to:

PetIQ, LLC
923 S. Bridgeway Place
Eagle, ID 83616
Attention: General Counsel
Facsimile: 208-939-3200

(ii) if to the Employee, to his address set forth on the signature page hereto;

or to such other address as the party to whom such notice or other communication is to be given may have furnished to each other party in writing in accordance herewith. Any such notice or communication shall be deemed to have been received (i) when delivered, if personally delivered or transmitted by electronic mail, with receipt acknowledgment by the recipient by return electronic mail, (ii) when sent, if sent by facsimile on a business day during normal business hours (or, if not sent on a business day during normal business hours, on the next business day after the date sent by facsimile), (iii) on the next business day after dispatch, if sent by nationally recognized, overnight courier guaranteeing next business day delivery, and (iv) on the fifth (5th) business day following the date on which the piece of mail containing such communication is posted, if sent by mail.

(h) Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

(i) Construction. Where specific language is used to clarify by example a general statement contained herein, such specific language shall not be deemed to modify, limit or restrict in any manner the construction of the general statement to which it relates. The language used in this Agreement shall be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against any party.

(j) Right of Set Off. In the event of a breach by the Employee of the provisions of this Agreement, the Company is hereby authorized at any time and from time to time, to the fullest extent permitted by law and after ten (10) days prior written notice to Employee, to set-off and apply any and all amounts at any time held by the Company on behalf of the Employee and all indebtedness at any time owing by the Company to the Employee against any and all of the obligations of the Employee now or hereafter existing.

(k) Arbitration; Waiver of Jury Trial. With the exception of equitable relief as noted in Section 8 hereof, any controversy or claim arising out of or relating to this Agreement or the breach thereof (including, without limitation, as to arbitrability and any disputes with respect to Employee's employment with the Company or the termination of such employment, including, without limitation, any claim for alleged discrimination, harassment or retaliation on the basis of race, sex, color, national origin, sexual orientation, age, religion, creed, marital status, veteran status, alienage, citizenship, disability or handicap, or any other legally protected status, and any alleged violation of any federal, state, or other governmental law, statute or regulation, including, but not limited to, claims arising under Title VII of the Civil Rights Act of 1964, other civil rights statutes including, without limitation, 42 U.S.C. § 1981, 42 U.S.C. § 1982, and 42 U.S.C. § 1985, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act, the Employee Retirement Income Security Act, the Occupational Safety and Health Act, the Immigration Reform and Control Act, or any state or local law, as amended), shall be settled by individual arbitration (as opposed to class or collective arbitration) administered before JAMS (the "***Arbitrator***") under the common rules then pertaining. The arbitration hearing shall commence within ninety (90) calendar days after the Arbitrator is selected, unless the Company and the Employee mutually agree to extend this time period. The arbitration shall take place in the State of Idaho. The Arbitrator will have full power to give directions and make such orders as the Arbitrator deems just, and to award all remedies that would be available in court. Nonetheless, the Arbitrator explicitly shall not have the authority, power, or right to alter, change, amend, modify, add, or subtract from any provision of this Agreement, except pursuant to Section 12(a). The Arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the Arbitrator's award or decision is based within thirty (30) days after the conclusion of the arbitration hearing. The award rendered by the Arbitrator shall be final and binding (absent fraud or manifest error), and any arbitration award may be enforced by judgment entered or vacated in any court of competent jurisdiction. The prevailing party shall be reimbursed by the other party to the action for reasonable attorneys' fees and expenses relating to such action, with the exception of any action by an employee alleging a civil rights or statutory cause of action, in which case the Company shall pay the filing fees and costs of the arbitration and each party shall be responsible for its own

attorneys' fees and costs, provided that the arbitrator may grant any remedy or relief that a party could obtain from a court of competent jurisdiction on the basis of such claims.

(l) Nouns and Pronouns. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice-versa.

(m) 409A Compliance. To the extent any provision of this Agreement or action by the Company would subject the Employee to liability for interest or additional taxes under Section 409A of the Code, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Company. It is intended that this Agreement will comply with Code Section 409A and the interpretive guidance thereunder, including the exceptions for short-term deferrals, separation pay arrangements, reimbursements, and in-kind distributions, and this Agreement shall be administered accordingly, and interpreted and construed on a basis consistent with such intent. All references in this Agreement to the Employee's termination of employment shall mean a "separation from service" within the meaning of Code Section 409A and Treasury Regulation Section 1.409A-1(h)(1)(ii). Notwithstanding anything to the contrary herein, if the Employee is a "specified employee" as defined in Code Section 409A, any portion of the amounts payable under this Agreement as a result of a termination of employment that are not eligible for any of the exceptions to the application of Code Section 409A (such as the severance pay exception or the short-term deferral exception), shall not be paid to the Employee until the earlier of (i) the expiration of the six (6)-month period measured from the date of the Employee's "separation from service" or (ii) the Employee's death. Any series of payments hereunder shall be considered a series of separate payments for purposes of Code Section 409A. To the extent any reimbursements or in-kind benefit payments under this Agreement are subject to Code Section 409A, such reimbursements and in-kind benefit payments shall be made in accordance with Treasury Regulation §1.409A-3(i)(1)(iv) (or any similar or successor provisions). This Agreement may be amended to the extent necessary (including retroactively) by the Company in order to preserve compliance with Code Section 409A. The preceding shall not be construed as a guarantee of any particular tax effect for the Employee's compensation and benefits and the Company does not guarantee that any compensation or benefits provided under this Agreement will satisfy the provisions of Code Section 409A.

(n) Survival. For the avoidance of doubt, the obligations of the Employee under Sections 3(d), 3(e), 4(d), 4(e), and 5-11 (and all subsections thereto) shall survive the end of the Employment Period or the termination of this Agreement or the Employee's employment for any reason (whether such termination is by the Company, by, the Employee, or otherwise).

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement as of the date first written above.

PETIQ, LLC

By: /s/ McCord Christensen
Name: McCord Christensen
Title: Chief Executive Officer

EMPLOYEE

/s/ John Newland
John Newland

Address: 923 S. Bridgeway Pl.
Eagle, ID 83616

SCHEDULE A

LIST OF PRIOR INVENTIONS
AND ORIGINAL WORKS OF AUTHORSHIP

Title	Date	Identifying Number or Brief Description
None		

Signature of Employee: /s/ John Newland

Print Name of Employee: John Newland

Date: May 9, 2019

Exhibit 10.3

EMPLOYMENT AND NON-COMPETITION AGREEMENT

EMPLOYMENT AND NON-COMPETITION AGREEMENT (this "***Agreement'***) dated as of May 9, 2019 (the "Effective Date"), between PetIQ, LLC, an Idaho limited liability company (the "***Company***"), and R. Michael Herrman (the "***Employee***").

WHEREAS, the Company and the Employee desire to enter into this Agreement in order to set forth the respective rights and obligations of the parties with respect to the Employee's employment with the Company.

NOW THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

Section 1. Employment Period.

Subject to terms and conditions of this Agreement, the Employee's employment with the Company shall continue for a period commencing on the Effective Date and ending on the first (1st) anniversary of the Effective Date, unless earlier terminated in accordance with the terms hereof (the "***Employment Period***"). The Employment Period shall be automatically extended for a twelve-month period unless either party gives notice to the other party of its intention to terminate this Agreement no later than sixty (60) days prior to the end of the then-existing Employment Period. From and after the expiration of the Employment Period, the Employee will not be entitled to any rights or benefits (including, without limitation, any severance pursuant to this Agreement or any Company program, policy or otherwise) other than payment of any earned but unpaid wages.

Section 2. Terms of Employment.

(a) Position. During the Employment Period, the Employee shall serve as General Counsel and Secretary of the Company and shall report to the Chief Executive Officer of the Company (the "***CEO***"). The Employee shall, subject to the direction and supervision of the CEO, have supervision and control over, and responsibility for, such management and operational functions of the Company currently assigned to such position and shall have such other powers and duties (including holding officer positions with the Company and one or more subsidiaries of the Company) as may from time to time be prescribed by the CEO consistent with the Employee's position as General Counsel and Secretary of the Company.

(b) Full Time. During the Employment Period, and excluding any periods of vacation and sick leave to which the Employee is entitled, the Employee agrees to devote his full business time and efforts, to the best of his ability, experience and talent, to the business and affairs of the Company.

(c) Compensation.

(i) Base Salary. During the Employment Period, the Employee shall receive an annual base salary of $295,000, less applicable withholdings, which annual base salary shall be subject to adjustment as determined by the Compensation Committee of the

Board of Directors of PetIQ, Inc. (the "***Compensation Committee***") (as so adjusted, the "***Annual Base Salary***"). The Annual Base Salary shall be paid in accordance with the customary payroll practices of the Company, subject to applicable withholding and other payroll taxes.

(ii) Bonuses. During the Employment Period, beginning for the 2019 calendar year (payable in 2020), the Employee shall be eligible to participate in the Company's annual cash bonus plan as determined by the Compensation Committee in its sole discretion (the "***Annual Bonus***"). It is anticipated that Employee's Annual Bonus would be targeted as 50% of Employee's Annual Base Salary, based upon personal performance and the Company meeting EBITDA targets. The Annual Bonus shall be paid as, when and if determined by the Compensation Committee, subject to applicable withholding and other payroll taxes, and subject to Employee's continued employment through the Annual Bonus payment date.

(iii) Equity-Based Compensation. During the Employment Period, the Employee shall be eligible to participate in, and receive awards of equity-based compensation under, the PetIQ, Inc. 2017 Omnibus Incentive Plan or applicable successor plan, as determined by the Compensation Committee in its discretion.

(iv) Expenses. During the Employment Period, the Employee shall be entitled to receive reimbursement for all reasonable and documented expenses incurred by the Employee in connection with the performance of his duties hereunder, in accordance with the policies, practices and procedures of the Company as in effect from time to time.

(v) Vacation and Holidays. During the Employment Period, the Employee shall be entitled to paid holidays and four (4) weeks' paid vacation in accordance with the policies of the Company applicable to other employees of the Company generally.

(vi) Benefits. The Employee shall be entitled to participate in such employee benefit plans or programs in accordance with the policies of the Company applicable to other executive-level employees of the Company.

Section 3. Termination of Employment.

(a) Death or Disability. The Employee's employment shall terminate automatically upon the Employee's death. The Company may also terminate the Employee's employment due to Disability. For purposes of this Agreement, the Employee shall be deemed "***Disabled***" and shall be subject to termination due to Disability, if the Employee is unable to perform the essential functions of his position, with or without reasonable accommodation, for any ninety (90) days during a period of one hundred eighty (180) consecutive days (excluding any days of paid vacation used by the Employee in accordance with the Company's paid time off policy), due to mental or physical disability as determined by a physician selected by the Company and reasonably acceptable to the Employee. If the Employee is Disabled, the Company may elect to terminate the Employee's employment hereunder by giving Notice of Termination (as defined below) to the Employee (such termination to be effective upon receipt of such notice); *provided*, *however*, that the Company may not terminate the Employee's employment unless, at the time the

Company gives the Notice of Termination, the Employee continues to have a physical or mental disability that, in the opinion of a physician selected by Company and reasonably acceptable to the Employee, may be expected to prevent the Employee from performing any of his duties hereunder for any period of time in excess of the ninety (90) days rendering him Disabled. The parties acknowledge and agree that the Company will suffer an undue hardship under the circumstances set forth in the previous provision.

(b) Cause. The Employee's employment may be terminated at any time by the Company for Cause (as defined below) or Without Cause (as defined below). For purposes of this Agreement, "***Cause***" shall mean: (i) a breach by the Employee of any material provision of this Agreement, which, if curable, is not cured within ten (10) days after the Employee's receipt from the Company of written notice of such breach; (ii) any conduct, action or behavior by the Employee, whether or not in connection with the Employee's employment, including, without limitation, the commission of any felony or a lesser crime involving dishonesty, fraud, misappropriation, theft, wrongful taking of property, embezzlement, bribery, forgery, extortion or other crime of moral turpitude, that has or may reasonably be expected to have a material adverse effect on the reputation or business of the Company, Holdings, or their respective subsidiaries and affiliates (the "***Company Group***") or which results in gain or personal enrichment of the Employee to the detriment of the Company Group; (iii) a governmental authority, including, without limitation, the Environmental Protection Agency or the Food and Drug Administration, has prohibited the Employee from working or being affiliated with the Company Group or the business conducted thereby; (iv) the commission of any act by the Employee of gross negligence or malfeasance, or any willful violation of law, in each case, in connection with the Employee's performance of his duties with the Company Group; (v) performance of the Employee's duties in an unsatisfactory manner after a written warning and a ten (10) day opportunity to cure or failure to observe material policies generally applicable to employees after a written warning and a ten (10) day opportunity to cure; (vi) breach of the Employee's duty of loyalty to the Company Group; (vii) chronic absenteeism; (viii) substance abuse, illegal drug use or habitual insobriety; or (ix) violation of obligations of confidentiality to any third party in the course of providing services to the Company Group. "***Without Cause***" shall mean a termination by the Company of the Employee's employment during the Employment Period for any reason or under any circumstances other than a termination based upon Cause, death or Disability.

(c) Notice of Termination. Any termination by the Company for Cause, Without Cause or for Disability or by the Employee for any reason, shall be communicated by Notice of Termination to the other party hereto. For purposes of this Agreement, a "***Notice of Termination***" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated and (iii) if the date of termination is other than the date of receipt of such notice, specifies the termination date (the "***Termination Date***"); provided, however, that in the event of a termination by the Employee for any reason, the Notice of Termination need only indicate the Termination Date, which shall not be less than thirty (30) days after the date of receipt of the Notice of Termination.

(d) Post-Termination Cooperation. The Employee agrees and covenants that, following the Employment Period, he shall, to the extent reasonably requested in writing by the

Company, cooperate in good faith with and assist the Company Group in the pursuit or defense of any claim, administrative charge, or cause of action by or against the Company Group as to which the Employee, by virtue of his employment with the Company, has relevant knowledge or information, including by acting as the Company's representative in any such proceeding and, without the necessity of a subpoena, providing truthful testimony in any jurisdiction or forum, excluding any claim, charge or cause of action brought by the Company Group against the Employee. The Company shall reimburse the Employee for his reasonable out-of-pocket expenses in complying with this Section 3(d).

(e) Post-Termination Nonassistance. The Employee agrees and covenants that, following the Employment Period, he shall not voluntarily assist, support, or cooperate with, directly or indirectly, any other person or entity alleging or pursuing or defending against any claim, administrative charge, or cause or action against or by the Company, as the case may be, including by providing testimony or other information or documents, except under compulsion of law. Should the employee be compelled to testify, nothing in this Agreement is intended to, or shall prohibit the Employee from, providing complete and truthful testimony. Nothing in this Agreement shall in any way prevent the Employee from cooperating with any investigation by any federal, state, or local governmental agency.

Section 4. Obligations of the Company upon Termination.

(a) Without Cause. If the Company shall terminate the Employee's employment during the Employment Period Without Cause, then the Company shall provide the Employee with the following payments and/or benefits:

(i) the Company shall pay to the Employee, in each case through the Termination Date: (A) a lump sum in the amount of the Employee's earned but unpaid Annual Base Salary, subject to applicable withholding and payroll taxes, which shall be paid no later than the next pay date following the Termination Date (in accordance with the Company's customary payroll practices), and (B) reimbursement for any unpaid reimbursable expenses incurred by the Employee, which shall be paid in accordance with the Company's policies, practices and procedures in effect as of the Termination Date, (collectively, "***Accrued Obligations***"); and

(ii) subject to Section 4(c), the Company shall continue to pay the Employee his Annual Base Salary in accordance with customary payroll practices (and subject to customary withholding and payroll taxes) for twelve (12) months from the Termination Date (the "***Severance Payment***"); provided, that no installment or portion of the Severance Payment shall be payable or paid prior to the expiration of the applicable revocation period for the general release described in Section 4(c) below.

(b) Cause; Death; Disability; By the Employee for Any Reason; Expiration of Employment Period. If the Employee's employment shall be terminated due to the Employee's death or Disability, by the Company for Cause, by the Employee for any reason or upon the expiration of the Employment Period following a notice of non-extension by either party, then the Company shall have no further payment obligations to the Employee (or his estate or legal

representative if applicable, in the case of death or Disability) other than for payment of the Accrued Obligations.

(c) Condition; Remedies. The Employee acknowledges and agrees that the Company's obligations pursuant to this Section 4 (other than with respect to the Accrued Obligations or as otherwise required by law) are conditioned on the execution and delivery by the Employee (or, if applicable, his executor, administrator or legal representative) of a general release in form and substance satisfactory to the Company within thirty (30) days following the Termination Date, and in the absence of the execution and delivery of such a timely general release or if such general release is subsequently revoked by the Employee, the Company shall have no obligation to make any such payments. The Company shall not have any obligation to make any payments whatsoever to the Employee with respect to his employment by the Company, or the termination of his employment, other than as set forth in this Agreement, and any and all rights of the Employee to any compensation or benefits in connection with his employment shall automatically and immediately terminate upon the termination of his employment, and the Employee covenants and agrees not to assert or pursue any other remedies, at law or in equity, with respect to any termination of employment. Notwithstanding anything to the contrary in this Agreement, if the payments set forth in Section 4(a)(ii) are subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "***Code***"), and the timing of the Employee's execution and delivery of the general release could affect the calendar year in which such payments commence because the Termination Date occurs within thirty (30) days prior to the end of a calendar year, then no portion of such payments shall be made until the Company's first payroll payment date in the year following the year in which the Termination Date occurs, and any amount that is not paid prior to such date due to such restriction shall be paid (subject to the applicable conditions) on that date.

(d) Resignation upon Termination. Notwithstanding anything to the contrary contained herein, upon termination of the Employee's employment for any reason or under any circumstance, the Employee shall be deemed to have given the Company notice of his resignation from any and all positions as officer of the Company and its subsidiaries and, if the Employee was terminated for Cause, as a member of the PetIQ, Inc. Board of Directors or other similar governing body of the Company and its subsidiaries, to the extent applicable.

(e) Return of Company Property. Upon termination of the Employee's employment for any reason or under any circumstances, the Employee shall return any and all of the property of the Company Group (including, without limitation, all computers, keys, credit cards, identification tags, documents, data, Confidential Information (as defined below) and Work Product (as defined below) and other proprietary materials) and all other materials.

Section 5. Non-Compete; Non-Solicitation.

(a) Non-Compete. The Employee agrees that during the Employment Period, including any period of automatic extension of the Employment Period, and for a period of twelve (12) months thereafter (the "***Restricted Period***"), the Employee agrees that he shall not, and shall not permit his respective affiliates to, directly or indirectly through another person, engage in a Competitive Business (defined below) by providing any services similar to those provided during employment for the Company, including without limitation any business management, strategic

planning, or sales services, advice, or expertise, or any related services, in any geographic location in which the Company Group is engaged in business, which includes the United States (the "***Geographic Area***"). For purposes of this Agreement, "Competitive Business" shall mean any business that is engaged in the acquisition, distribution, marketing, sale, resale, manufacture or production of veterinary pet prescription and over-the-counter medications or related products, and providing preventative pet care and veterinarian services, and all matters and services incidental or related thereto, or any other business in competition with the business conducted by (or actively being contemplated by) the Company Group.

(b) Non-Solicitation.

(i) The Employee agrees that during the Employment Period, including any period of automatic extension of the Employment Period, and during the Restricted Period, the Employee shall not, and shall not permit his respective affiliates to, directly or indirectly through another person within the Geographic Area, to hire any employee or independent contractor of the Company Group, or solicit, induce, recruit or encourage any such employee or independent contractor to leave the employ of, or reduce the services provided to, the Company Group, or encourage or attempt to do any of the foregoing, either for the Employee's own purposes or for any other person or entity.

(ii) During the Employment Period, including any period of automatic extension of the Employment Period, and during the Restricted Period, the Employee agrees that he shall not, and shall not permit his respective affiliates to, directly or indirectly through another person within the Geographic Area, (A) solicit, interfere with, subvert, disrupt or alter the relationship, contractual or otherwise, between the Company Group and any client, customer, contractor, vendor, supplier, licensor or licensee of the Company Group, or any prospective client, customer, contractor, vendor, supplier, licensor or licensee of the Company Group, (B) divert or take away or attempt to divert or take away the business or patronage (with respect to products or services of the kind or type developed, produced, marketed, furnished or sold by the Company) of any of the clients, customers or accounts, or prospective clients, customers or accounts, of the Company, or (C) encourage or attempt to do any of the foregoing, either for the Employee's own purposes or for any other person or entity.

(c) Acknowledgments. Employee acknowledges that the restrictions set forth in Sections 5(a) and 5(b) are fair and reasonable in all respects. Without limiting the foregoing, Employee makes the following acknowledgments:

(i) Employee will, by virtue of Employee's position with the Company, have and gain a high level of inside knowledge regarding the Company Group and its business, and as a result, will have the ability to harm or threaten its legitimate business interests, including without limitation, its goodwill, technologies, intellectual property, business plans, processes, methods of operation, customers, customer lists, referral sources, vendors and vendor contracts, financial and marketing information, and other trade secrets.

(ii) Employee will provide services or have significant presence or influence on behalf of the Company Group within the entire Geographic Area due to the

nature of the Company Group's business, which is conducted extensively' throughout the Geographic Area.

(iii) Employee has received sufficient consideration in exchange for the covenants made herein.

Section 6. Nondisclosure and Nonuse of Confidential Information.

(a) The Employee will not disclose or use at any time, either during the Employment Period or thereafter, any Confidential Information (as hereinafter defined) of which the Employee is or becomes aware, whether or not such information is developed by him, except to the extent that such disclosure or use is directly related to and required by the Employee's performance in good faith of duties assigned to the Employee by the Company or has been expressly authorized by the CEO or his designee; *provided*, *however*, that this sentence shall not be deemed to prohibit the Employee from complying with any subpoena, order, judgment or decree of a court or governmental or regulatory agency of competent jurisdiction (an "***Order***"); *provided*, *further*, *however*, that (i) the Employee agrees to provide the Company with prompt written notice of any such Order and to assist the Company, at the Company's expense, in asserting any legal challenges to or appeals of such Order that the Company in its sole discretion pursues, and (ii) in complying with any such Order, the Employee shall limit his disclosure only to the Confidential Information that is expressly required to be disclosed by such Order. The Employee will take all appropriate steps to safeguard Confidential Information and to protect it against disclosure, misuse, espionage, loss and theft. The Employee shall deliver to the Company at the termination of the Employment Period, or at any time the Company may request, all memoranda, notes, plans, records, reports, electronic information, files and software and other documents and data (and copies thereof) relating to the Confidential Information or the Work Product (as hereinafter defined) of the business of the Company Group which the Employee may then possess or have under his control.

(b) As used in this Agreement, the term "***Confidential Information***" means information that is not generally known to the public (including the existence and content of this Agreement, except that the Employee shall have the right to disclose the existence and content of this Agreement to his spouse, legal advisors and financial advisors) and that is used, developed or obtained by the Company Group in connection with its business, including, but not limited to, information, observations and data obtained by the Employee while employed by the Company Group or any predecessors thereof (including those obtained prior to the date of this Agreement) concerning (i) the business or affairs of the Company or any of its subsidiaries (or such predecessors), (ii) products or services, (iii) fees, costs and pricing structures, (iv) designs, (v) analyses, (vi) drawings, photographs and reports, (vii) computer software and hardware, including operating systems, applications and program listings, (viii) flow charts, manuals and documentation, (ix) databases and data, (x) accounting and business methods, (xi) inventions, devices, new developments, methods and processes, whether patentable or unpatentable and whether or not reduced to practice, (xii) customers and clients and customer or client lists, (xiii) other copyrightable works, (xiv) all production methods, processes, technology and trade secrets, and (xv) all similar and related information in whatever form. Confidential Information will not include any information that is publicly known and made generally available through no wrongful act of the Employee or others who were under confidentiality obligations as to the information

involved. Confidential Information will not be deemed to have been published merely because individual portions of the information have been separately published, but only if all material features comprising such information have been published in combination.

(c) For the avoidance of doubt, Section 6(a) does not prohibit or restrict Employee (or Employee's attorney) from responding to any inquiry about the Agreement or its underlying facts and circumstances by the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), any other self-regulatory organization or governmental entity, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Employee understands and acknowledges that he does not need the prior authorization of the Company to make any such reports or disclosures and that he is not required to notify the Company that he has made such reports or disclosures.

(d) Notwithstanding anything in Section 6(a) or elsewhere in the Agreement to the contrary, Employee understands that Employee may, without informing the Company prior to any such disclosure, disclose Confidential Information (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Additionally, without informing the Company prior to any such disclosure, if Employee files a lawsuit against the Company for retaliation for reporting a suspected violation of law, Employee may disclose Confidential Information to his attorney and use the Confidential Information in the court proceeding or arbitration, provided that Employee files any document containing the Confidential Information under seal and does not otherwise disclose the Confidential Information, except pursuant to court order. Without prior authorization of the Company, however, the Company does not authorize Employee to disclose to any third party (including any government official or any attorney Employee may retain) any communications that are covered by the Company's attorney-client privilege.

Section 7. Property; Inventions and Patents.

(a) The Employee has attached hereto, as **Schedule A**, a list describing any Inventions (as defined below), which belong to the Employee, which were made by the Employee prior to his employment with the Company, which relate to the Company Group and which are not assigned to the Company under this Agreement (the "***Prior Inventions***"). The Employee agrees that all inventions, innovations, improvements, technical information, systems, software developments, methods, designs, analyses, drawings, reports, service marks, trademarks, trade names, logos, products, equipment and all similar or related information and materials (whether patentable or unpatentable) (collectively, "***Inventions***") which relate to the Company Group's actual or anticipated business, research and development or existing or future products or services and which are conceived, developed or made by the Employee (whether or not during usual business hours and whether or not alone or in conjunction with any other person) while employed (if and to the extent such Inventions result from any work performed for the Company, any use of the Company's premises or property or any use of the Company's Confidential Information) by the Company (including those conceived, developed or made prior to the date of this Agreement) together with all patent applications, letters patent, trademark, tradename and service mark applications or registrations, copyrights and reissues thereof that may be granted for or upon any

of the foregoing (collectively referred to herein as, the "***Work Product***"), excluding all Prior Inventions, belong in all instances to the Company or such affiliate. To the extent that any of the Prior Inventions are incorporated into the product, process or machine of the Company or any affiliate by the Employee, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, transferable, sublicensable, worldwide license to make, have made, modify, use and sell such Prior Invention as a part of or in connection with such product, process or machine. The Employee will promptly disclose such Work Product to the Company's General Counsel or his designee and perform all actions reasonably requested by the Company's General Counsel or his designee (whether during or after the Employment Period) to establish and confirm the Company's ownership of such Work Product (including, without limitation, the execution and delivery of assignments, consents, powers of attorney and other instruments) and to provide reasonable assistance to the Company Group (whether during or after the Employment Period) in connection with the prosecution of any applications for patents, trademarks, trade names, service marks or reissues thereof or in the prosecution or defense of interferences relating to any Work Product. The Employee recognizes and agrees that the Work Product, to the extent copyrightable, constitutes works for hire under the copyright laws of the United States and that to the extent Work Product constitutes works for hire, the Work Product is the exclusive property of the Company, and all right, title and interest in the Work Product vests in the Company. To the extent Work Product is not works for hire, the Work Product, and all of the Employee's right, title and interest in Work Product, including without limitation every priority right, is hereby assigned to the Company.

(b) Employee hereby represents and warrants that the patents and other assets owned by Employee set forth on **Schedule A** are not related in any way to the Company Group, except as stated therein. For the avoidance of doubt, if any invention (i) is developed by Employee entirely on his own time without using the Company's equipment, supplies, facilities or trade secret information and (ii) does not either (1) relate to the Company's business (or actual or demonstrably anticipated research or development) at the time of conception or reduction to practice of the invention or (2) result from any work performed by Employee for the Company, such invention shall not be deemed to be Work Product for purposes of this Agreement and shall not be subject to the provisions hereof relating to Work Product.

(c) The Employee shall assist and cooperate fully with the Company and its affiliates in obtaining for the Company and its affiliates the grant of letters patent, copyrights and any other intellectual property rights relating to the Work Product in the United States and/or such other countries as the Company and its affiliates may designate. With respect to Work Product, the Employee shall, during the Employment Period and at any time thereafter, execute all applications, statements, instruments of transfer, assignment, conveyance or confirmation, or other documents, furnish all such information to the Company and its affiliates and take all such other appropriate lawful actions as the Company and its affiliates requests.

Section 8. Acknowledgement and Enforcement.

(a) Employee acknowledges that he has become familiar, or will become familiar with the trade secrets of the members of the Company Group and with other confidential and proprietary information concerning members of the Company Group and their respective predecessors, successors, customers and suppliers, and that his services are of special, unique and

extraordinary value to the Company. Employee acknowledges and agrees that the Company would not enter into this Agreement, providing for compensation and other benefits to Employee on the terms and conditions set forth herein but for Employee's agreements herein (including those set forth in Sections 5, 6, and 7 herein). Furthermore, Employee acknowledges and agrees that the Company will be providing Employee with additional special knowledge after the Effective Date, with such special knowledge to include additional Confidential Information and trade secrets. Employee agrees that the covenants set forth in Sections 5, 6, and 7 (collectively, the "Restrictive Covenants") are reasonable and necessary to protect the Company Group's trade secrets and other Confidential Information, proprietary information, goodwill, stable workforce and customer relations.

(b) Without limiting the generality of Employee's agreement with the provisions of Section 8(a), Employee (i) represents that he is familiar with and has carefully considered the Restrictive Covenants, (ii) represents that he is fully aware of his obligations hereunder, (iii) agrees to the reasonableness of the length of time, scope and geographic coverage, as applicable, of the Restrictive Covenants, (iv) agrees that the Company currently conducts business throughout the Restricted Area and (v) agrees that the Restrictive Covenants will continue in effect for the applicable periods set forth above regardless of whether Employee is then entitled to receive severance pay or benefits from the Company. Employee believes that he has received and will receive sufficient consideration and other benefits as an employee of the Company and as otherwise provided hereunder or as described in the recitals hereto to clearly justify such restrictions.

(c) Because the Employee's services are special, unique and extraordinary and because the Employee has access to Confidential Information and Work Product, the parties hereto agree that money damages would be an inadequate remedy for any breach of this Agreement, including the Restrictive Covenants set forth herein. Therefore, in the event of a breach or threatened breach of this Agreement, or any Restrictive Covenant herein. the Company Group and its successors or assigns may, in addition to other rights and remedies existing in their favor at law or in equity, apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security).

Section 9. Assurances by the Employee.

The Employee represents and warrants to the Company that he may enter into this Agreement and fully perform all of his obligations under this Agreement and as an employee of the Company without breaching, violating, or conflicting with (i) any judgment, order, writ, decree, or injunction of any court, arbitrator, government agency, or other tribunal that applies to the Employee or (ii) any agreement, contract, obligation, or understanding to which the Employee is a party or may be bound.

Section 10. Non-Disparagement.

The Employee agrees that he will not make, or cause to be made, any statement, observation, or opinion, or communicate any information (whether oral or written), to any person other than the CEO or his designee, the Company's Human Resource Director, or PetIQ, Inc.'s

Board of Directors, that disparages the Company Group, or is likely in any way to harm the business or the reputation of the Company Group, or any of their respective former, present or future managers, directors, officers, members, stockholders or employees.

Section 11. Termination of Severance Payments.

In addition to the foregoing, and not in any way in limitation thereof or in limitation of any right or remedy otherwise available to the Company, if the Employee violates any provision of this Agreement, or facts or circumstances have been made known that if known as of the Termination Date, the Employee would not have been entitled to the benefits of Section 4(a)(ii), (i) the provisions set forth in Section 4(a)(ii), and the Company's obligations thereunder, shall be terminated and of no further force or effect, without limiting or affecting the Employee's obligations under Sections 5, 6, 7, or 10, or the Company's other rights and remedies available at law or equity and (ii) the Employee shall promptly pay the Company any amounts received pursuant to Section 4(a)(ii).

Section 12. General Provisions.

(a) Severability. It is the desire and intent of the parties hereto that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought, Accordingly, if any particular provision of this Agreement shall be adjudicated by a court of competent jurisdiction or arbitrator to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

(b) Entire Agreement. This Agreement embodies the complete agreement and understanding among the parties hereto with respect to the subject matter hereof and supersedes and preempts any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way, including, but not limited to, all prior employment agreements, offer letters, and term sheets describing the terms and conditions of employment of the Employee; provided that, this Agreement shall not supersede any confidentiality, intellectual property assignment, non-competition, and non-solicitation covenants contained in any other agreement to which Employee is a party.

(c) Counterparts. This Agreement may be executed in two (2) or more counterparts (delivery of which may be by facsimile or via email as a portable document format (.pdf)), each of which will be deemed an original, and it will not be necessary in making proof of this Agreement or the terms of this Agreement to produce or account for more than one (1) of such counterparts.

(d) Successors and Assigns: Beneficiaries. This Agreement is personal to the Employee and without the prior written consent of the Company shall not be assignable by the

Employee. The obligations of the Employee hereunder shall be binding upon Employee's heirs, administrators, executors, assigns and other legal representatives. This Agreement shall be binding upon and shall inure to the benefit of and be enforceable by the Company's successors and assigns.

(e) Governing Law. THIS AGREEMENT, AND THE TERMS AND CONDITIONS HEREUNDER, SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF IDAHO, EXCEPT WITH RESPECT TO SECTION 12(k) HEREOF, WHICH SHALL BE GOVERNED BY THE FEDERAL ARBITRATION ACT.

(f) Amendment and Waiver. Subject to Section 12(a) hereof, the provisions of this Agreement may be amended and waived only with the prior written consent of the Employee and the Company, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall be construed as a waiver of such provisions or affect the validity, binding effect or enforceability of this Agreement or any provision hereof.

(g) Notices. All notices, requests, demands, claims, consents and other communications which are required or otherwise delivered hereunder shall be in writing and shall be deemed to have been duly given if (i) personally delivered or transmitted by electronic mail, (ii) sent by nationally recognized overnight courier, (iii) mailed by registered or certified mail with postage prepaid, return receipt requested, or (iv) transmitted by facsimile to the parties hereto at the following addresses (or at such other address for a party as shall be specified by like notice):

(i) if to the Company, to:

PetIQ, LLC
923 S. Bridgeway Place
Eagle, ID 83616
Attention: Chief Executive Officer
Facsimile: 208-939-3200

(ii) if to the Employee, to his address set forth on the signature page hereto;

or to such other address as the party to whom such notice or other communication is to be given may have furnished to each other party in writing in accordance herewith. Any such notice or communication shall be deemed to have been received (i) when delivered, if personally delivered or transmitted by electronic mail, with receipt acknowledgment by the recipient by return electronic mail, (ii) when sent, if sent by facsimile on a business day during normal business hours (or, if not sent on a business day during normal business hours, on the next business day after the date sent by facsimile), (iii) on the next business day after dispatch, if sent by nationally recognized, overnight courier guaranteeing next business day delivery, and (iv) on the fifth (5th) business day following the date on which the piece of mail containing such communication is posted, if sent by mail.

(h) Descriptive Headings. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

(i) Construction. Where specific language is used to clarify by example a general statement contained herein, such specific language shall not be deemed to modify, limit or restrict in any manner the construction of the general statement to which it relates. The language used in this Agreement shall be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction shall be applied against any party.

(j) Right of Set Off. In the event of a breach by the Employee of the provisions of this Agreement, the Company is hereby authorized at any time and from time to time, to the fullest extent permitted by law and after ten (10) days prior written notice to Employee, to set-off and apply any and all amounts at any time held by the Company on behalf of the Employee and all indebtedness at any time owing by the Company to the Employee against any and all of the obligations of the Employee now or hereafter existing.

(k) Arbitration; Waiver of Jury Trial. With the exception of equitable relief as noted in Section 8 hereof, any controversy or claim arising out of or relating to this Agreement or the breach thereof (including, without limitation, as to arbitrability and any disputes with respect to Employee's employment with the Company or the termination of such employment, including, without limitation, any claim for alleged discrimination, harassment or retaliation on the basis of race, sex, color, national origin, sexual orientation, age, religion, creed, marital status, veteran status, alienage, citizenship, disability or handicap, or any other legally protected status, and any alleged violation of any federal, state, or other governmental law, statute or regulation, including, but not limited to, claims arising under Title VII of the Civil Rights Act of 1964, other civil rights statutes including, without limitation, 42 U.S.C. § 1981, 42 U.S.C. § 1982, and 42 U.S.C. § 1985, the Age Discrimination in Employment Act, the Americans with Disabilities Act, the Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act, the Employee Retirement Income Security Act, the Occupational Safety and Health Act, the Immigration Reform and Control Act, or any state or local law, as amended), shall be settled by individual arbitration (as opposed to class or collective arbitration) administered before JAMS (the "***Arbitrator***") under the common rules then pertaining. The arbitration hearing shall commence within ninety (90) calendar days after the Arbitrator is selected, unless the Company and the Employee mutually agree to extend this time period. The arbitration shall take place in the State of Idaho. The Arbitrator will have full power to give directions and make such orders as the Arbitrator deems just, and to award all remedies that would be available in court. Nonetheless, the Arbitrator explicitly shall not have the authority, power, or right to alter, change, amend, modify, add, or subtract from any provision of this Agreement, except pursuant to Section 12(a). The Arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the Arbitrator's award or decision is based within thirty (30) days after the conclusion of the arbitration hearing. The award rendered by the Arbitrator shall be final and binding (absent fraud or manifest error), and any arbitration award may be enforced by judgment entered or vacated in any court of competent jurisdiction. The prevailing party shall be reimbursed by the other party to the action for reasonable attorneys' fees and expenses relating to such action, with the exception of any action by an employee alleging a civil rights or statutory cause of action, in which case the Company shall pay the filing fees and costs of the arbitration and each party shall be responsible for its own attorneys' fees and costs, provided that the arbitrator may grant any remedy or relief that a party could obtain from a court of competent jurisdiction on the basis of such claims.

(l) Nouns and Pronouns. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice-versa.

(m) 409A Compliance. To the extent any provision of this Agreement or action by the Company would subject the Employee to liability for interest or additional taxes under Section 409A of the Code, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Company. It is intended that this Agreement will comply with Code Section 409A and the interpretive guidance thereunder, including the exceptions for short-term deferrals, separation pay arrangements, reimbursements, and in-kind distributions, and this Agreement shall be administered accordingly, and interpreted and construed on a basis consistent with such intent. All references in this Agreement to the Employee's termination of employment shall mean a "separation from service" within the meaning of Code Section 409A and Treasury Regulation Section 1.409A-1(h)(1)(ii). Notwithstanding anything to the contrary herein, if the Employee is a "specified employee" as defined in Code Section 409A, any portion of the amounts payable under this Agreement as a result of a termination of employment that are not eligible for any of the exceptions to the application of Code Section 409A (such as the severance pay exception or the short-term deferral exception), shall not be paid to the Employee until the earlier of (i) the expiration of the six (6)-month period measured from the date of the Employee's "separation from service" or (ii) the Employee's death. Any series of payments hereunder shall be considered a series of separate payments for purposes of Code Section 409A. To the extent any reimbursements or in-kind benefit payments under this Agreement are subject to Code Section 409A, such reimbursements and in-kind benefit payments shall be made in accordance with Treasury Regulation §1.409A-3(i)(1)(iv) (or any similar or successor provisions). This Agreement may be amended to the extent necessary (including retroactively) by the Company in order to preserve compliance with Code Section 409A. The preceding shall not be construed as a guarantee of any particular tax effect for the Employee's compensation and benefits and the Company does not guarantee that any compensation or benefits provided under this Agreement will satisfy the provisions of Code Section 409A.

(n) Survival. For the avoidance of doubt, the obligations of the Employee under Sections 3(d), 3(e), 4(d), 4(e), and 5-11 (and all subsections thereto) shall survive the end of the Employment Period or the termination of this Agreement or the Employee's employment for any reason (whether such termination is by the Company, by, the Employee, or otherwise).

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement as of the date first written above.

PETIQ, LLC

By: /s/ McCord Christensen
Name: McCord Christensen
Title: Chief Executive Officer

EMPLOYEE

/s/ R. Michael Herrman
R. Michael Herrman

Address: 923 S. Bridgeway Pl.
Eagle, ID 83616

SCHEDULE A

LIST OF PRIOR INVENTIONS
AND ORIGINAL WORKS OF AUTHORSHIP

Title	Date	Identifying Number or Brief Description
None		

Signature of Employee:

Print Name of Employee: R. Michael Herrman

Date:

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, McCord Christensen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PetIQ, 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 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 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: May 9, 2019

/s/ McCord Christensen
McCord Christensen
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, John Newland, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PetIQ, 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 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 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: May 9, 2019

/s/ John Newland
John Newland
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of PetIQ, Inc. (the "Company") for the period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, McCord Christensen, Chief Executive Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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, and

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

/s/ McCord Christensen

McCord Christensen
Chief Executive Officer

Date: May 9, 2019

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of PetIQ, Inc. (the "Company") for the period ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Newland, Chief Financial Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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, and

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

/s/ John Newland

John Newland
Chief Financial Officer

Date: May 9, 2019