



Smarter Pet Health

# Third Quarter 2020 Earnings Presentation

November 5, 2020

**OUR MISSION:**

*To deliver a smarter way for pet parents to help their pets live their best lives through convenient access to affordable products and services.*



## FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements that involve risks and uncertainties, such as statements about our plans, objectives, expectations, assumptions or future events, including statements regarding the proposed acquisition of VIP Petcare by PetIQ, the expected closing date of the acquisition and the potential benefits and synergies of the acquisition. 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. 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, the impact of COVID-19 on our business and the global economy; 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; our ability to sustain profitability; 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; and the risks set forth under the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2019, our Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 and other filings from time to time with the Securities and Exchange Commission.

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.

This presentation includes certain non-GAAP financial measures, including adjusted gross profit, adjusted G&A, adjusted net income and Adjusted EBITDA. These non-GAAP financial measures should be considered only as supplemental to, and not as superior to, financial measures prepared in accordance with GAAP. Please refer to the Appendix of this presentation for a reconciliation of these measures to net income, the most directly comparable financial measure prepared in accordance with U.S. GAAP.



# OUTLINE

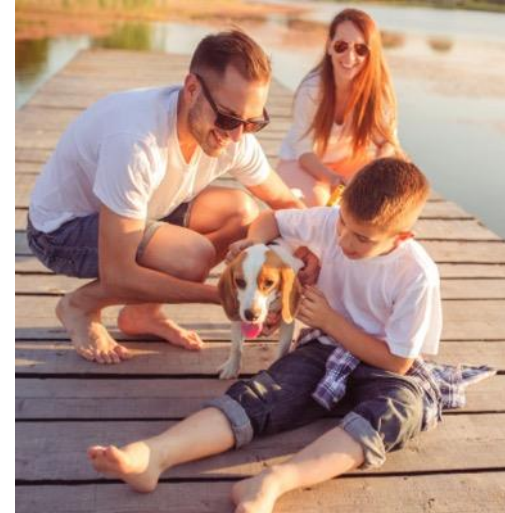
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- COVID-19
- RESULTS OVERVIEW & SERVICES SEGMENT REOPENING PLAN
- GAAP FINANCIALS
- GROSS PROFIT ADJUSTMENTS
- G&A ADJUSTMENTS
- APPENDIX

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PRESENTERS

Cord Christensen, CEO  
Susan Sholtis, President  
John Newland, CFO



# THANK YOU TO OUR COMMUNITIES



THE HEATHCARE COMMUNITY



OUR RETAIL PARTNERS



OUR ASSOCIATES



OUR PET OWNERS

# WE ARE FOCUSED ON EMERGING STRONGER FROM COVID-19

Show Genuine Care & Concern



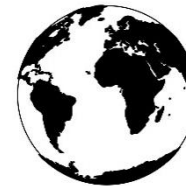
Help Keep Our Team and Those Around Us Safe

Stay True to Our Purpose



Deliver a Smarter Way to Help Pet Parents Care for Their Pets

Answer Post-COVID Needs



Build Our Future Business in Innovative Ways

Evolve in a Fluid Environment



Leverage Our Size & Pace to be Nimble & Adapt

# RECENT PETIQ FINANCIAL HIGHLIGHTS

## THIRD QUARTER 2020 & YTD RESULTS COMPARED TO PRIOR YEAR PERIOD

- Third quarter net sales of \$162.1 million compared to \$186.0 million for the same period last year; Year-to-date net sales of \$615.8 million, **an increase of 10.9%**
- Third quarter net loss of \$64.5 million compared to net loss of \$8.8 million for the prior year period, primarily due a \$53.2 million tax expense driven by a non-cash tax valuation allowance on the Company's deferred tax asset and \$4.7 million in additional interest, depreciation, and amortization expense related to the CapStar acquisition. Year-to-date net loss of \$69.1 million compared to a net loss of \$0.6 million for the prior year period, primarily due to the aforementioned third quarter expenses
- Third quarter adjusted net loss of \$2.7 million compared to adjusted net income of \$9.3 million; Year-to-date adjusted net income of \$19.1 million compared to adjusted net income of \$31.1 million
- Third quarter adjusted EBITDA of \$12.0 million compared to \$19.3 million for the prior year period; Year-to-date adjusted EBITDA of \$54.8 million compared to \$51.0 million for the prior year period, **an increase of 7.5%**

## THIRD QUARTER 2020 & YTD SEGMENT RESULTS COMPARED TO PRIOR YEAR PERIOD

- Third quarter Product Segment net sales of \$150.1 million compared to \$161.5 million for the same period last year; Year-to-date net sales of \$580.7 million, **an increase of 20.4%**
- Third quarter Services Segment net revenues of \$12.0 million compared to \$24.5 million for the same period last year; Year-to-date Services Segment net revenues of \$35.2 million compared to \$72.9 million for the same period last year, a decrease of 51.7%

Notes: 1 - Non-GAAP financial measure. See the Appendix of this presentation for a reconciliation of the most comparable GAAP measure.



# RECENT PETIQ HIGHLIGHTS

## THIRD QUARTER 2020 HIGHLIGHTS

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- Completed the acquisition of the Capstar® portfolio of products on July 31, 2020
- Total liquidity of approximately **\$152 million**, and an additional \$15 million available via an accordion feature of the credit agreement for a total of **\$167 million**

## PROVIDES UPDATE ON SERVICES REOPENING PLAN

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- The Company **re-opened approximately 95% of its community clinics and wellness centers** as of September 30, 2020, consistent with its stated re-opening plan
- Celebrated **eight new wellness center grand openings** in the third quarter of 2020 for a total of 99 wellness centers in operation at the end quarter
- Remains on-track to open **19 new wellness centers** for the year ending December 31, 2020
- Results from recent re-openings have continued to demonstrate an **increase in pet per clinic and dollars per pet** as compared to the prior year period and a return to pre-COVID-19 levels
- Expanded Telehealth Platform for community clinics and wellness centers to virtually provide pet health and wellness services to pet parents and their pets.
- Investing in new Medical Affairs Division with the support of PetIQ's Chief Medical Officer and veterinarian support team to support telehealth expansion, vet recruiting and wellness center expansion



# FINANCIAL PERFORMANCE

\$ IN MILLIONS	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30, 2020	SEPTEMBER 30, 2019	SEPTEMBER 30, 2020	SEPTEMBER 30, 2019
PRODUCT SALES	\$150.1	\$161.5	\$580.7	\$482.2
SERVICE REVENUE	\$12.0	\$24.5	\$35.2	\$72.9
<b>TOTAL NET SALES</b>	<b>\$162.1</b>	<b>\$186.0</b>	<b>\$615.8</b>	<b>\$555.1</b>
COST OF PRODUCT SOLD	\$116.9	\$140.8	\$469.1	\$416.8
COST OF SERVICES	\$13.0	\$17.9	\$40.1	\$51.4
<b>TOTAL COST OF SALES</b>	<b>\$129.8</b>	<b>\$158.7</b>	<b>\$509.2</b>	<b>\$468.2</b>
<b>GROSS PROFIT</b>	<b>\$32.3</b>	<b>\$27.3</b>	<b>\$106.6</b>	<b>\$86.9</b>
<i>GROSS PROFIT AS % OF NET SALES</i>	<i>19.9%</i>	<i>14.7%</i>	<i>17.3%</i>	<i>15.7%</i>
G&A	\$35.6	\$29.4	\$105.7	\$74.3
<i>G&amp;A AS % OF NET SALES</i>	<i>22.0%</i>	<i>15.8%</i>	<i>17.2%</i>	<i>13.4%</i>
CONTINGENT NOTE	-	\$2.3	-	\$3.1
<b>OPERATING INCOME</b>	<b>(\$3.3)</b>	<b>(\$4.4)</b>	<b>\$0.9</b>	<b>\$9.5</b>
TAX & OTHER EXPENSES	(\$61.2)	(\$4.4)	(\$70.0)	(\$10.1)
<b>NET (LOSS) INCOME</b>	<b>(\$64.5)</b>	<b>(\$8.8)</b>	<b>(\$69.1)</b>	<b>(\$0.6)</b>
<b>ADJUSTED EBITDA*</b>	<b>\$12.0</b>	<b>\$19.3</b>	<b>\$54.8</b>	<b>\$51.0</b>

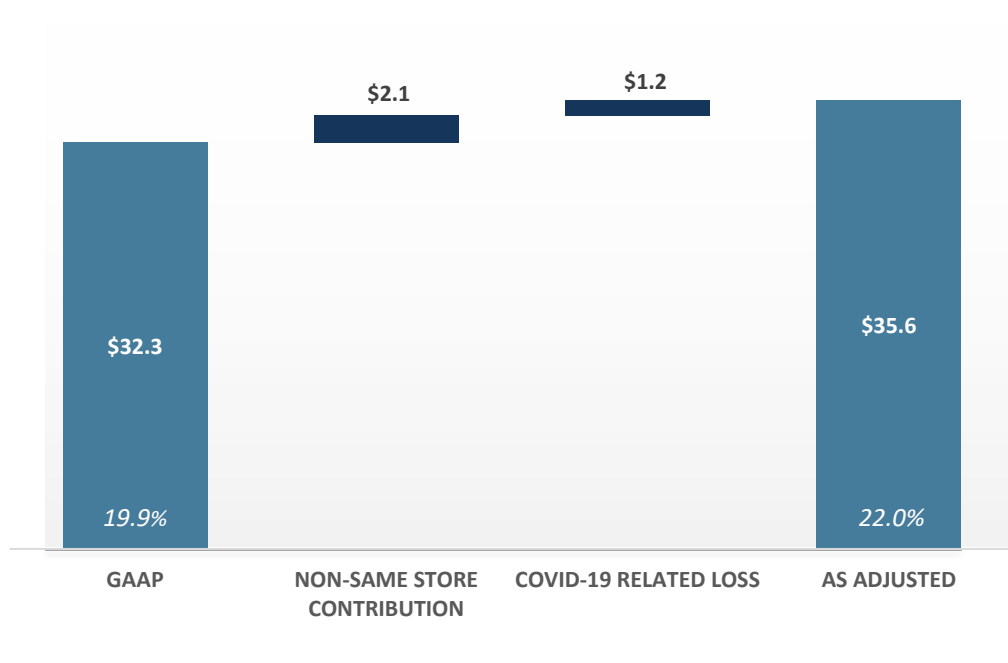
Notes: \* Non-GAAP financial measure. See the Appendix of this presentation for a reconciliation of Adjusted EBITDA to net income, the most comparable GAAP measure

# ADJUSTED GROSS PROFIT

FOR THE QUARTER ENDED SEPTEMBER 30, 2020

## GROSS PROFIT

\$ IN MILLIONS



## RESULTS PERFORMANCE

The Company reported adjusted Gross Profit of \$35.6M, a decrease of **\$3.4M** compared to 3Q19. Gross margin increased 520 basis points to 19.9% even as the company experienced an estimated 391 basis point headwind from the temporary Services segment closures.

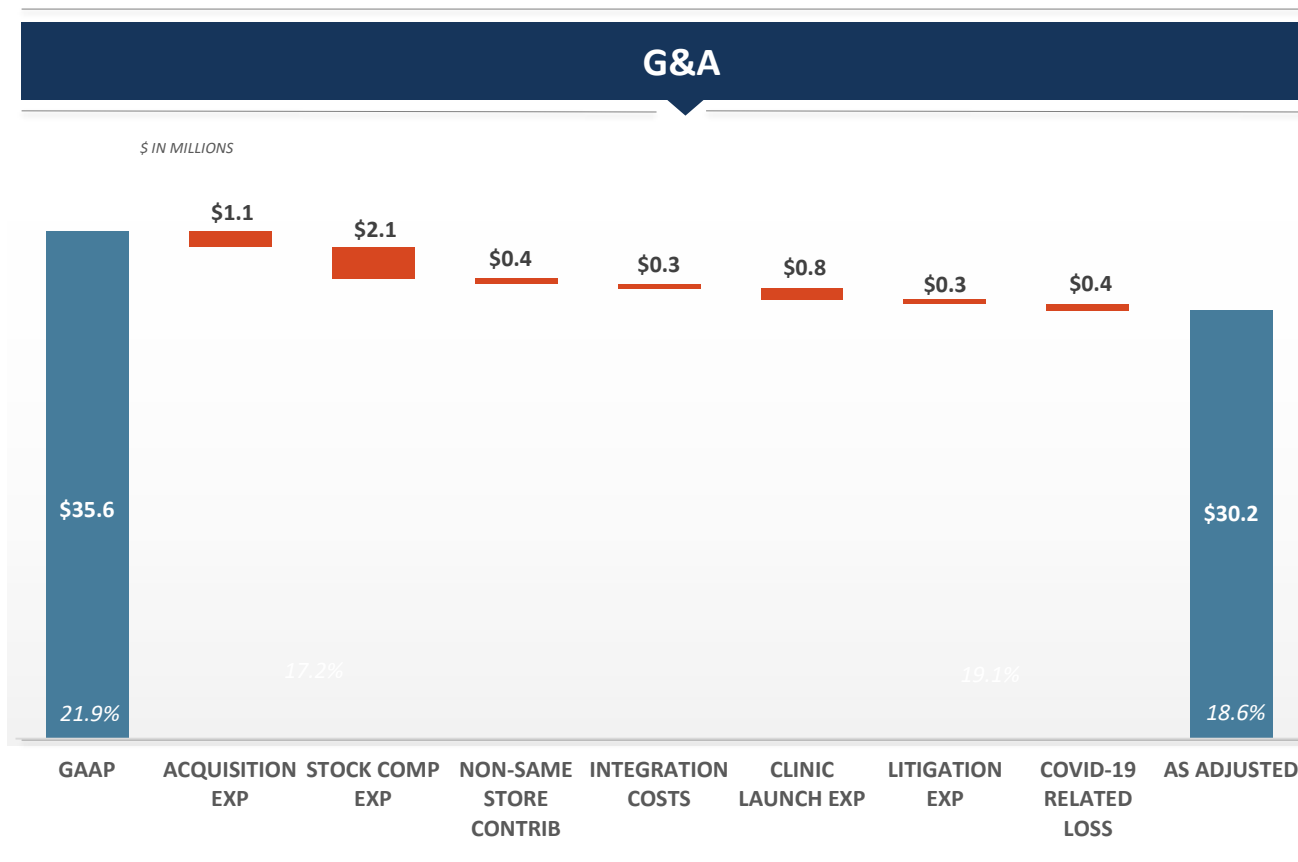
Adjustments from GAAP gross profit to adjusted gross profit include:

- NON SAME STORE CONTRIBUTION**  
 Adjustment includes net revenue of \$2.9M and costs of \$5.0M in the Services Segment associated with operating retail service locations that have been open less than 6 full quarters.
- COVID-19 RELATED LOSS**  
 Costs related to maintaining service and product segment infrastructure and labor during COVID-19 pandemic.



# ADJUSTED G&A

FOR THE QUARTER ENDED SEPTEMBER 30, 2020



## RESULTS PERFORMANCE

Adjusted G&A was **\$30.2 million**, representing an increase as a percent of sales of **~612bps** vs. 3Q19. Adjustments from GAAP G&A to Adjusted G&A include:

- **ACQUISITION EXPENSE**  
Adjustment includes expenses associated with the purchase of Perrigo Animal Health, including items such legal and tax services.
- **STOCK COMPENSATION EXPENSE**  
Expenses associated with employee and director equity awards.
- **NON-SAME STORE G&A**  
Adjustment outlines expenses associated with operating wellness centers, regional offices, and host partner clinics that have been open less than 6 full quarters.
- **INTEGRATION EXPENSE**  
Represent costs related to integrating the acquired businesses and a supplier contract settlement which has a deferred payment stream.
- **CLINIC LAUNCH EXPENSE**  
Represents nonrecurring costs to open new veterinary wellness centers in our Services segment.
- **LITIGATION EXPENSE**  
Represents nonrecurring costs associated with various litigation matters.
- **COVID-19 RELATED LOSS**  
Costs related to maintaining service and product segment infrastructure and labor during COVID-19 pandemic.



## APPENDIX



## ADJUSTED GROSS PROFIT RECONCILIATION

\$ IN MILLIONS	THREE MONTHS ENDED		NINE MONTHS ENDED	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
<b>GROSS PROFIT</b>	<b>32,268</b>	27,291	<b>106,606</b>	86,921
<b>PLUS:</b>				
PURCHASE ACCOUNTING ADJ TO INV	—	2,403	—	2,403
NON SAME-STORE GROSS LOSS	<b>2,137</b>	2,811	<b>7,660</b>	6,436
COVID-19 RELATED LOSS	<b>1,182</b>	—	<b>4,178</b>	—
SKU RATIONALIZATION	—	6,482	—	6,482
<b>ADJUSTED GROSS PROFIT</b>	<b>35,587</b>	38,987	<b>118,444</b>	102,242

## ADJUSTED G&A EXPENSE RECONCILIATION

\$ IN MILLIONS	THREE MONTHS ENDED		NINE MONTHS ENDED	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>35,562</b>	29,345	<b>105,744</b>	74,333
<b>LESS:</b>				
ACQUISITION COSTS	<b>1,083</b>	1,960	<b>1,815</b>	5,425
STOCK BASED COMPENSATION EXPENSE	<b>2,147</b>	1,601	<b>6,549</b>	4,747
INTEGRATION COSTS AND COSTS OF DISCONTINUED CLINICS	<b>307</b>	1,166	<b>9,611</b>	2,308
NON SAME-STORE GENERAL AND ADMINISTRATIVE EXPENSES	<b>357</b>	671	<b>1,697</b>	1,607
CLINIC LAUNCH EXPENSES	<b>767</b>	672	<b>2,046</b>	672
LITIGATION EXPENSE	<b>290</b>	—	<b>723</b>	—
COVID-19 RELATED LOSS	<b>418</b>	—	<b>1,855</b>	—
<b>ADJUSTED GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>30,193</b>	23,275	<b>81,448</b>	59,574

## ADJUSTED NET (LOSS) INCOME RECONCILIATION

\$ IN MILLIONS	THREE MONTHS ENDED		NINE MONTHS ENDED	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
<b>NET LOSS</b>	<b>(64,529)</b>	<b>(8,796)</b>	<b>(69,122)</b>	<b>(552)</b>
<b>PLUS:</b>				
TAX EXPENSE	53,168	(1,304)	52,060	77
ACQUISITION COSTS	1,083	1,960	1,815	5,425
INTEGRATION COSTS AND COSTS OF DISCONTINUED CLINICS	307	1,166	9,611	2,308
SKU RATIONALIZATION	—	6,482	—	6,482
PURCHASE ACCOUNTING ADJ TO INVENTORY	—	2,403	—	2,403
STOCK BASED COMPENSATION EXPENSE	2,147	1,601	6,549	4,747
FAIR VALUE ADJUSTMENT OF CONTINGENT NOTE	—	2,310	—	3,090
NON SAME-STORE REVENUE	(2,884)	(2,583)	(6,119)	(6,254)
NON SAME-STORE COSTS	5,378	5,394	15,476	12,690
CLINIC LAUNCH EXPENSES	767	672	2,046	672
LITIGATION EXPENSES	290	—	723	—
COVID-19 RELATED LOSS	1,600	—	6,033	—
<b>ADJUSTED NET (LOSS) INCOME</b>	<b>(2,673)</b>	<b>9,305</b>	<b>19,072</b>	<b>31,088</b>

## ADJUSTED EBITDA RECONCILIATION

\$ IN MILLIONS	THREE MONTHS ENDED		NINE MONTHS ENDED	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
<b>NET LOSS</b>	<b>(64,529)</b>	(8,796)	<b>(69,122)</b>	(552)
<b>PLUS:</b>				
TAX EXPENSE (BENEFIT)	<b>53,168</b>	(1,304)	<b>52,060</b>	77
DEPRECIATION	<b>3,030</b>	2,404	<b>8,886</b>	5,587
AMORTIZATION	<b>3,821</b>	1,807	<b>8,313</b>	4,364
INTEREST	<b>7,830</b>	5,742	<b>18,501</b>	9,921
<b>EBITDA</b>	<b>3,320</b>	(147)	<b>18,638</b>	19,397
ACQUISITION COSTS	<b>1,083</b>	1,960	<b>1,815</b>	5,425
SKU RATIONALIZATION	—	6,482	—	6,482
STOCK BASED COMPENSATION EXPENSE	<b>2,147</b>	1,601	<b>6,549</b>	4,747
PURCHASE ACCOUNTING ADJ TO INVENTORY	—	2,403	—	2,403
LITIGATION EXPENSES	<b>290</b>	—	<b>723</b>	—
NON SAME-STORE REVENUE	<b>(2,884)</b>	(2,583)	<b>(6,119)</b>	(6,254)
NON SAME-STORE COSTS	<b>5,378</b>	5,394	<b>15,476</b>	12,690
FAIR VALUE ADJUSTMENT OF CONTINGENT NOTE	—	2,310	—	3,090
INTEGRATION COSTS AND COSTS OF DISCONTINUED CLINICS	<b>307</b>	1,166	<b>9,611</b>	2,308
NEW WELLNESS CENTER LAUNCH EXPENSES	<b>767</b>	672	<b>2,046</b>	672
COVID-19 RELATED COSTS	<b>1,600</b>	—	<b>6,033</b>	—
<b>ADJUSTED EBITDA</b>	<b>12,008</b>	19,258	<b>54,772</b>	50,960

## SEGMENT FINANCIAL INFORMATION

\$ IN MILLIONS	THREE MONTHS ENDED		NINE MONTHS ENDED	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
SERVICES SEGMENT SALES:				
SAME-STORE SALES	9,136	21,908	29,074	66,617
NON SAME-STORE SALES	2,884	2,583	6,119	6,254
<b>NET SERVICES SEGMENT SALES</b>	<b>12,020</b>	<b>24,491</b>	<b>35,193</b>	<b>72,871</b>
PRODUCT SEGMENT SALES	150,063	161,534	580,650	482,224
<b>TOTAL NET SALES</b>	<b>162,083</b>	<b>186,025</b>	<b>615,843</b>	<b>555,095</b>
ADJUSTED EBITDA				
PRODUCTS	26,318	20,506	92,448	56,030
SERVICES	(223)	7,048	2,878	18,147
CORPORATE	(14,088)	(8,296)	(40,555)	(23,217)
<b>TOTAL ADJUSTED EBITDA</b>	<b>12,007</b>	<b>19,258</b>	<b>54,771</b>	<b>50,960</b>