

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2024

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



Smarter Pet Health

**PetIQ, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**230 E. Riverside Drive**

**Eagle, Idaho**

(Address of principal executive offices)

**35-2554312**

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

**83616**

(Zip Code)

**208-939-8900**

(Registrant's telephone number, including area code)  
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

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

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

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

As of August 5, 2024, we had 29,654,234 shares of Class A common stock and 231,540 shares of Class B common stock outstanding.

# PetIQ, Inc.

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## PART I—FINANCIAL INFORMATION

### 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,” “believe,” “continuing,” “could,” “estimate,” “expect,” “intend,” “may,” “ongoing,” “plan,” “project,” “should,” “will,” and similar expressions. Examples of forward-looking statements include, without limitation:

- statements concerning our proposed acquisition by entities affiliated with Bansk Group;
- statements of our expectations regarding the timing and completion of the proposed acquisition by entities affiliated with Bansk Group;
- 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 heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Quarterly Report on Form 10-Q; general economic or market conditions, including inflation and interest rates; overall consumer spending in our industry; our ability to successfully grow our business through acquisitions and our ability to integrate acquisitions; our dependency on a limited number of customers; our ability to implement our growth strategy effectively; our ability to continue to grow our Services segment; disruptions in our manufacturing, shipping, transportation and distribution chains; competition from veterinarians and others in our industry; reputational damage to our brands; the effectiveness of our marketing and trade promotion programs; recalls or withdrawals of our products or product liability claims; 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; cybersecurity risks, including breaches that result in business interruption and data loss; our substantial indebtedness and our ability to raise additional capital as needed; conditions to the closing of the pending Merger, including obtaining required regulatory approvals, which may not be satisfied or waived on a timely basis or otherwise; unforeseen events, changes or other circumstances could give rise to the termination of the Merger Agreement or affect the ability to recognize the benefits of the pending Merger; potential disruptions in current plans and operations caused by the pending Merger, including potential difficulties in employee retention; our ability to consummate the pending Merger within the expected time frame, or at all (see “Note 12 – Subsequent Events – Pending Merger with Bansk Group” in the Notes to the Condensed Consolidated Financial Statements included in Part I Item 1 and Part II, Item 1A, “Risk Factors” of this Quarterly Report on Form 10-Q); and the risks set forth under the “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2023, this Quarterly Report on Form 10-Q for the quarter ended June 30, 2024 and other reports filed 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.

**PetIQ, Inc.**  
**Condensed Consolidated Balance Sheets**  
(Unaudited, in 000's except for per share amounts)

	June 30, 2024	December 31, 2023
<b>Current assets</b>		
Cash and cash equivalents	\$ 84,130	\$ 116,369
Accounts receivable, net	214,978	142,511
Inventories	164,965	159,309
Other current assets	6,972	12,645
<b>Total current assets</b>	<b>471,045</b>	<b>430,834</b>
Property, plant and equipment, net	53,845	57,097
Operating lease right of use assets	16,804	19,079
Other non-current assets	1,675	2,083
Intangible assets, net	151,620	159,729
Goodwill	199,404	199,404
<b>Total assets</b>	<b>\$ 894,393</b>	<b>\$ 868,226</b>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 142,230	\$ 139,264
Accrued wages payable	14,175	16,734
Accrued interest payable	1,130	6,636
Other accrued expenses	12,357	10,692
Current portion of operating leases	5,827	7,608
Current portion of long-term debt and finance leases	6,959	8,595
<b>Total current liabilities</b>	<b>182,678</b>	<b>189,529</b>
Operating leases, less current installments	11,446	13,763
Long-term debt, less current installments	436,011	437,820
Finance leases, less current installments	343	516
Other non-current liabilities	3,600	3,600
<b>Total non-current liabilities</b>	<b>451,400</b>	<b>455,699</b>
<b>Equity</b>		
Additional paid-in capital	392,169	387,349
Class A common stock, par value \$0.001 per share, 125,000 shares authorized; 29,999 and 29,570 shares issued, respectively	29	29
Class B common stock, par value \$0.001 per share, 8,402 shares authorized; 231 and 231 shares issued and outstanding, respectively	—	—
Class A treasury stock, at cost, 373 and 373 shares respectively	(3,857)	(3,857)
Accumulated deficit	(130,373)	(160,602)
Accumulated other comprehensive loss	—	(1,706)
<b>Total stockholders' equity</b>	<b>257,968</b>	<b>221,213</b>
Non-controlling interest	2,347	1,785
<b>Total equity</b>	<b>260,315</b>	<b>222,998</b>
<b>Total liabilities and equity</b>	<b>\$ 894,393</b>	<b>\$ 868,226</b>

See accompanying notes to the condensed consolidated financial statements.

**PetIQ, Inc.**  
**Condensed Consolidated Statements of Operations**  
(Unaudited, in 000's except for per share amounts)

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Product sales	\$ 291,200	\$ 278,167	\$ 568,091	\$ 537,160
Services sales	37,741	36,380	69,293	67,858
<b>Total net sales</b>	<b>328,941</b>	<b>314,547</b>	<b>637,384</b>	<b>605,018</b>
Cost of products sold	212,650	210,428	421,713	411,330
Cost of services	28,008	30,240	52,845	57,549
<b>Total cost of sales</b>	<b>240,658</b>	<b>240,668</b>	<b>474,558</b>	<b>468,879</b>
<b>Gross profit</b>	<b>88,283</b>	<b>73,879</b>	<b>162,826</b>	<b>136,139</b>
Operating expenses				
Selling, general and administrative expenses	60,082	55,159	110,291	98,486
Impairment and other asset charges	2,620	—	2,620	—
<b>Operating income</b>	<b>25,581</b>	<b>18,720</b>	<b>49,915</b>	<b>37,653</b>
Interest expense, net	9,254	8,824	18,360	17,556
Other (income) expense, net	(24)	151	(150)	123
Total other expense, net	9,230	8,975	18,210	17,679
<b>Pretax net income</b>	<b>16,351</b>	<b>9,745</b>	<b>31,705</b>	<b>19,974</b>
Income tax expense	(885)	(192)	(1,212)	(640)
<b>Net income</b>	<b>15,466</b>	<b>9,553</b>	<b>30,493</b>	<b>19,334</b>
Net income attributable to non-controlling interest	144	85	264	167
<b>Net income attributable to PetIQ, Inc.</b>	<b>\$ 15,322</b>	<b>\$ 9,468</b>	<b>\$ 30,229</b>	<b>\$ 19,167</b>
<b>Net income per share attributable to PetIQ, Inc. Class A common stock</b>				
Basic	\$ 0.52	\$ 0.32	\$ 1.03	\$ 0.66
Diluted	\$ 0.49	\$ 0.32	\$ 0.96	\$ 0.66
<b>Weighted Average shares of Class A common stock outstanding</b>				
Basic	29,534	29,136	29,408	29,083
Diluted	34,940	29,373	34,949	29,218

See accompanying notes to the condensed consolidated financial statements.

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

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net income	\$ 15,466	\$ 9,553	\$ 30,493	\$ 19,334
Foreign currency translation adjustment	(104)	287	(189)	236
Reclassification of foreign currency translation adjustment, realized upon sale	2,151	—	2,151	—
Comprehensive income	17,513	9,840	32,455	19,570
Comprehensive income attributable to non-controlling interest	401	87	520	169
Comprehensive income attributable to PetIQ, Inc.	\$ 17,112	\$ 9,753	\$ 31,935	\$ 19,401

See accompanying notes to the condensed consolidated financial statements.

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

	<b>For the Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 30,493	\$ 19,334
<b>Adjustments to reconcile net income to net cash (used in) provided by operating activities</b>		
Depreciation and amortization of intangible assets and loan fees	15,834	19,769
Gain on disposition of property, plant, and equipment	(219)	—
Stock based compensation expense	5,401	5,208
Impairment and other asset charges	2,620	—
Other non-cash activity	2	(135)
<b>Changes in assets and liabilities, net of business acquisition</b>		
Accounts receivable	(72,367)	(74,468)
Inventories	(5,797)	2,901
Other assets	1,568	(481)
Accounts payable	2,564	40,320
Accrued wages payable	(2,559)	252
Other accrued expenses	(4,806)	1,703
<b>Net cash (used in) provided by operating activities</b>	<b>(27,266)</b>	<b>14,403</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposition of property, plant, and equipment	726	—
Purchase of property, plant, and equipment	(3,221)	(4,128)
Proceeds from sale of business	2,655	—
Business acquisitions (net of cash acquired)	—	(27,634)
<b>Net cash provided by (used in) investing activities</b>	<b>160</b>	<b>(31,762)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of long-term debt	50,000	35,000
Principal payments on long-term debt	(53,800)	(38,800)
Principal payments on finance lease obligations	(672)	(801)
Tax withholding payments on Restricted Stock Units	(2,843)	(969)
Exercise of options to purchase Class A common stock	2,304	—
<b>Net cash used in financing activities</b>	<b>(5,011)</b>	<b>(5,570)</b>
<b>Net change in cash and cash equivalents</b>	<b>(32,117)</b>	<b>(22,929)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(122)</b>	<b>101</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>116,369</b>	<b>101,265</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 84,130</b>	<b>\$ 78,437</b>

See accompanying notes to the condensed consolidated financial statements.

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

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Supplemental cash flow information	<b>For the Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
Interest paid, net	\$ 22,648	\$ 16,657
Net change in property, plant, and equipment acquired through accounts payable	(116)	52
Finance lease additions	25	—
Income taxes paid, net of refunds	950	326

See accompanying notes to the condensed consolidated financial statements.



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

**Three Months Ended June 30, 2024**

	Accumulated Deficit	Accumulated Other Comprehensive Loss	Class A Common		Class A Treasury Stock		Class B Common		Additional Paid-in Capital	Non-controlling Interest	Total Equity
			Shares	Dollars	Shares	Dollars	Shares	Dollars			
Balance - April 1, 2024	\$ (145,695)	\$ (1,790)	29,827	\$ 29	373	\$ (3,857)	231	\$ —	\$ 387,239	\$ 1,924	\$ 237,850
Other comprehensive income	—	1,790	—	—	—	—	—	—	—	257	2,047
Stock based compensation expense	—	—	—	—	—	—	—	—	2,770	22	2,792
Exercise of options to purchase common stock	—	—	127	—	—	—	—	—	2,304	—	2,304
Issuance of stock vesting of RSU's, net of tax withholdings	—	—	45	—	—	—	—	—	(144)	—	(144)
Net income	15,322	—	—	—	—	—	—	—	—	144	15,466
Balance - June 30, 2024	\$ (130,373)	\$ —	29,999	\$ 29	373	\$ (3,857)	231	\$ —	\$ 392,169	\$ 2,347	\$ 260,315

**Six Months Ended June 30, 2024**

	Accumulated Deficit	Accumulated Other Comprehensive Loss	Class A Common		Class A Treasury Stock		Class B Common		Additional Paid-in Capital	Non-controlling Interest	Total Equity
			Shares	Dollars	Shares	Dollars	Shares	Dollars			
Balance - January 1, 2024	\$ (160,602)	\$ (1,706)	29,570	\$ 29	373	\$ (3,857)	231	\$ —	\$ 387,349	\$ 1,785	\$ 222,998
Other comprehensive income	—	1,706	—	—	—	—	—	—	—	256	1,962
Stock based compensation expense	—	—	—	—	—	—	—	—	5,359	42	5,401
Exercise of options to purchase common stock	—	—	127	—	—	—	—	—	2,304	—	2,304
Issuance of stock vesting of RSU's, net of tax withholdings	—	—	303	—	—	—	—	—	(2,843)	—	(2,843)
Net income	30,229	—	—	—	—	—	—	—	—	264	30,493
Balance - June 30, 2024	\$ (130,373)	\$ —	29,999	\$ 29	373	\$ (3,857)	231	\$ —	\$ 392,169	\$ 2,347	\$ 260,315

**Three Months Ended June 30, 2023**

	Accumulated Deficit	Accumulated Other Comprehensive Loss	Class A Common		Class A Treasury Stock		Class B Common		Additional Paid-in Capital	Non-controlling Interest	Total Equity
			Shares	Dollars	Shares	Dollars	Shares	Dollars			
Balance - April 1, 2023	\$ (153,034)	\$ (2,275)	29,499	\$ 29	373	\$ (3,857)	244	\$ —	\$ 380,429	\$ 1,857	\$ 223,149
Other comprehensive income	—	285	—	—	—	—	—	—	—	2	287
Stock based compensation expense	—	—	—	—	—	—	—	—	2,720	23	2,743
Issuance of stock vesting of RSU's, net of tax withholdings	—	—	52	—	—	—	—	—	(129)	—	(129)
Net income	9,468	—	—	—	—	—	—	—	—	85	9,553
Balance - June 30, 2023	\$ (143,566)	\$ (1,990)	29,551	\$ 29	373	\$ (3,857)	244	\$ —	\$ 383,020	\$ 1,967	\$ 235,603

Six Months Ended June 30, 2023

	Accumulated Deficit	Accumulated Other Comprehensive Loss	Class A Common		Class A Treasury Stock		Class B Common		Additional Paid-in Capital	Non- controlling Interest	Total Equity
			Shares	Dollars	Shares	Dollars	Shares	Dollars			
Balance - January 1, 2023	\$ (162,733)	\$ (2,224)	29,348	\$ 29	373	\$ (3,857)	252	\$ —	\$ 378,709	\$ 1,869	\$ 211,793
Exchange of LLC Interests held by LLC Owners	—	—	8	—	—	—	(8)	—	115	(115)	—
Other comprehensive income	—	234	—	—	—	—	—	—	—	2	236
Stock based compensation expense	—	—	—	—	—	—	—	—	5,165	44	5,208
Issuance of stock vesting of RSU's, net of tax withholdings	—	—	195	—	—	—	—	—	(969)	—	(969)
Net income	19,167	—	—	—	—	—	—	—	—	167	19,334
Balance - June 30, 2023	\$ (143,566)	\$ (1,990)	29,551	\$ 29	373	\$ (3,857)	244	\$ —	\$ 383,020	\$ 1,967	\$ 235,603

Note that certain figures shown in the tables above may not recalculate due to rounding.

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, Inc. ("PetIQ" or, the "Company") is a leading pet medication, product and wellness company delivering a smarter way for pet parents to help pets live their best lives through convenient access to affordable health and wellness products and veterinary services. The Company has two reporting segments: (i) Products; and (ii) Services. PetIQ believes that pets are an important part of the family and deserve the best products and care we can provide.

The Products segment consists of the Company's product manufacturing and distribution business through which the Company manufactures and distributes pet medication and health and wellness products to major U.S. retail and e-commerce channels through more than 60,000 points of distribution. The Company focuses its offerings on innovative, proprietary value-branded products, and leading third-party branded products for dogs and cats, including pet Rx medications, OTC medications and wellness products. The Products segment is further supported by its world-class medications manufacturing facility in Omaha, Nebraska and health and wellness manufacturing facility in Springville, Utah.

The Services segment consists of veterinary services, and related product sales, provided by the Company directly to consumers. The Company's national veterinarian service platform operates at over 2,600 community clinic locations and wellness centers hosted at retailers across 39 states providing cost effective and convenient veterinary wellness services. PetIQ offers diagnostic tests, vaccinations, prescription medications, microchipping, grooming and hygiene and wellness checks.

PetIQ is 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. PetIQ and HoldCo are holding companies with no other operations, cash flows, material assets or liabilities other than the equity interests in Opco.

The condensed consolidated financial statements as of June 30, 2024 and December 31, 2023 and for the three and six months ended June 30, 2024 and 2023 are unaudited. The condensed consolidated balance sheet as of December 31, 2023 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, 2023 and related notes thereto included in the most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on February 29, 2024 (the "Annual Report"). Operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year.

On August 7, 2024, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Gula Buyer Inc. ("Parent") and Gula Merger Sub Inc. ("Merger Sub"). If the pending Merger (as defined in Note 12 – Subsequent Events – Pending Merger with Bansk Group) is consummated, the Company will cease to be a publicly traded company. Assuming timely receipt of required regulatory approvals and timely satisfaction of other closing conditions, including the approval by our stockholders of the adoption of the Merger Agreement, we currently expect the closing of the Merger to occur during the fourth quarter of 2024. See Note 12 – Subsequent Events – Pending Merger with Bansk Group for information regarding the pending Merger.

**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 condensed 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 deferred tax assets, the valuation of inventories, and reserves for legal contingencies.

**Significant Accounting Policies**

The Company's significant accounting policies are discussed in Note 1 – Principal Business Activity and Significant Accounting Policies in the Annual Report. There have been no significant changes to these policies that have had a material impact on the Company's unaudited condensed financial statements and related notes during the three and six months ended June 30, 2024.

### **Sale of Foreign Subsidiary**

On April 30, 2024, the Company sold Mark & Chappell ("M&C"), its foreign subsidiary within the Products segment, for approximately \$4.0 million in net proceeds, including repatriated cash, and the Company expects to receive future royalties for certain licensed trademarks and related intellectual property. The Company recognized a \$2.6 million loss in the second quarter of 2024.

### **Note 2 — Debt**

#### ***Senior Secured Asset-Based Revolving Credit Facility***

On April 13, 2021, Opco entered into an asset-based revolving credit agreement with KeyBank National Association, as administrative agent and collateral agent, and the lenders' party thereto, that provides revolving credit commitments of \$125.0 million, subject to a borrowing base limitation (the "ABL Facility"). The borrowing base for the ABL Facility at any time equals the sum of: (i) 90% of eligible investment-grade accounts; plus (ii) 85% of eligible other accounts; plus, (iii) 85% of the net orderly liquidation value of the cost of certain eligible on-hand and in-transit inventory; plus, (iv) at the option of Opco, 100% of qualified cash; minus (v) reserves. The ABL Facility bears interest at a variable rate plus a margin, with the variable rate being based on a base rate or Secured Overnight Financing Rate, ("SOFR") at the option of the Company. The rate at June 30, 2024 was 6.59%. The Company also pays a commitment fee on unused borrowings at a rate of 0.35%. As of June 30, 2024, no amounts were outstanding under the ABL Facility.

#### ***Senior Secured Term Loan Facility - Term Loan B***

On April 13, 2021, Opco entered into a term credit agreement with Jefferies Finance LLC, as administrative agent and collateral agent, and the lenders' party thereto, that provides senior secured term loans of \$300.0 million (the "Term Loan B"). The Term Loan B bears interest at a variable rate (with the variable rate being based on a base rate or SOFR at the option of the Company) plus a margin of 3.25% in the case of base rate loans, or 4.25% in the case of SOFR loans. SOFR rates are subject to a 0.50% floor. The interest rate at June 30, 2024 was 9.71%. The Term Loan B requires quarterly amortization payments of 0.25% of the original principal amount, with the balance due on the seventh anniversary of the closing date.

#### ***Convertible Notes***

On May 19, 2020, the Company issued \$143.8 million in aggregate principal amount of 4.00% Convertible Senior Notes due 2026 (the "Notes") pursuant to the indenture (the "Indenture"), dated as of May 19, 2020. The total net proceeds from the Notes offering, after deducting debt issuance costs paid or payable by us, was \$137.9 million. The Notes accrue interest at a rate of 4.00% per annum, payable semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2020. The Notes will mature on June 1, 2026, unless earlier repurchased, redeemed or converted. Before January 15, 2026, holders will have the right to convert their Notes only upon the occurrence of certain events. From and after January 15, 2026, holders may convert their Notes at any time at their election until the close of business on the scheduled trading day immediately before the maturity date. The Company will settle conversions by paying or delivering, as applicable, cash, shares of its Class A common stock, or a combination of cash and shares of its Class A common stock, at its election. The initial conversion rate is 33.7268 shares of Class A common stock per \$1,000 principal amount of Notes. The conversion rate and conversion price will be subject to customary adjustments upon the occurrence of certain events. In addition, if certain corporate events that constitute a "Make-Whole Fundamental Change" (as defined in the Indenture) occur, then the conversion rate will, in certain circumstances, be increased for a specified period of time.

The following represents the Company's long-term debt as of:

<i>\$'s in 000's</i>	<b>June 30, 2024</b>	<b>December 31, 2023</b>
Convertible notes	\$ 143,750	\$ 143,750
Term loans	291,000	292,500
Revolving credit facility	—	— <sup>1</sup>
Other debt	13,413	15,564
Net discount on debt and deferred financing fees	(5,613)	(6,587)
	\$ 442,550	\$ 445,227
Less current maturities of long-term debt	(6,539)	(7,407)
Total long-term debt	\$ 436,011	\$ 437,820

Future maturities of long-term debt, excluding the net discount on debt and deferred financing fees, as of June 30, 2024, are as follows:

<i>(\$'s in 000's)</i>	
Remainder of 2024	\$ 3,739
2025	4,600
2026	147,324
2027	3,600
2028	281,100
Thereafter	7,800

### Note 3 — Intangible Assets and Goodwill

#### Goodwill and non-amortizable intangible assets

Intangible assets consist of the following at:

<i>\$'s in 000's</i>	<b>Useful Lives</b>	<b>June 30, 2024</b>	<b>December 31, 2023</b>
<b>Amortizable intangibles</b>			
Certification	7 years	\$ 350	\$ 350
Customer relationships	12-20 years	159,291	159,291
Patents and processes	5-10 years	12,855	12,855
Brand names	5-15 years	30,906	30,906
Total amortizable intangibles		203,402	203,402
Less accumulated amortization		(85,021)	(76,912)
Total net amortizable intangibles		118,381	126,490
<b>Non-amortizable intangibles</b>			
Trademarks and other		33,239	33,239
Intangible assets, net of accumulated amortization		\$ 151,620	\$ 159,729

Certain intangible assets are denominated in currencies other than the U.S. Dollar; therefore, their gross and net carrying values are subject to foreign currency movements. Amortization expense for the three months ended June 30, 2024, and 2023 was \$3.9 million and \$6.5 million, respectively. Amortization expense for the six months ended June 30, 2024, and 2023 was \$8.2 million and \$10.7 million, respectively.

<sup>1</sup>

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

<b>Years ending December 31, (\$'s in 000's)</b>	
Remainder of 2024	\$ 7,765
2025	14,899
2026	14,303
2027	13,640
2028	12,295
Thereafter	55,479

The following is a summary of the changes in the carrying value of goodwill for the period from January 1, 2023 to June 30, 2024:

<b>(\$'s in 000's)</b>	<b>Reporting Unit</b>		
	<b>Products</b>	<b>Services</b>	<b>Total</b>
Goodwill as of January 1, 2023	\$ 183,306	\$ —	\$ 183,306
Foreign currency translation	252	—	252
R&R Acquisition	20,641	—	20,641
Transfer to held for sale	(4,795)	—	(4,795)
Goodwill as of December 31, 2023	199,404	—	199,404
Goodwill as of June 30, 2024	\$ 199,404	\$ —	\$ 199,404

#### **Note 4 — Income Tax**

The Company's tax provision for interim periods is determined by using an estimated annual effective tax rate, adjusted for discrete items arising in that quarter. In each quarter, the Company updates the estimated annual effective tax rate and makes a year-to-date adjustment to the provision. The estimated annual effective tax rate is subject to significant volatility due to several factors, including the Company's ability to accurately predict the Company's pre-tax and taxable income and loss and the mix of jurisdictions to which they relate.

The Company's effective tax rate from continuing operations was 5.4% and 3.8% for the three and six months ended June 30, 2024, respectively, and 2.0% and 3.2% for the three and six months ended June 30, 2023, respectively, including discrete items. The Company's effective tax rate for the three and six months ended June 30, 2024 and 2023 was different than the U.S federal statutory income tax rate of 21% primarily due to the effects of the change in valuation allowance, state taxes, and the foreign rate differential.

The Company has assessed the realizability of the net deferred tax assets as of June 30, 2024 and in that analysis has considered the relevant positive and negative evidence available to determine whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The realization of the gross deferred tax assets is dependent on several factors, including the generation of sufficient taxable income to realize its deferred tax assets. The Company believes it is more likely than not that the benefit from recorded deferred tax assets will not be realized.

Based on the Company's current earnings and anticipated future earnings, the Company believes that there is a reasonable possibility that in the foreseeable future, sufficient positive evidence may become available that results in a conclusion that all or a portion of the valuation allowance will no longer be needed. Release of the valuation allowance would result in the recognition of certain deferred tax assets and a decrease to income tax expense for the period the release is recorded. However, the exact timing and amount of the valuation allowance release are subject to change on the basis of the level of profitability that the Company is able to actually achieve.

#### **Note 5 — Earnings per Share**

##### Basic and Diluted Earnings per Share

Basic earnings 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 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 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 per share of Class A common stock:

<i>(in 000's, except for per share amounts)</i>	For the Three Months Ended		For the Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<b>Numerator:</b>				
Net income	\$ 15,466	\$ 9,553	\$ 30,493	\$ 19,334
Less: net income attributable to non-controlling interests	144	85	264	167
Net income attributable to PetIQ, Inc. — basic	15,322	9,468	30,229	19,167
Plus: interest expense on Convertible Notes	1,691	—	3,379	—
Net income attributable to PetIQ, Inc. — diluted	\$ 17,013	\$ 9,468	\$ 33,608	\$ 19,167
<b>Denominator<sup>(1)</sup>:</b>				
Weighted-average shares of Class A common stock outstanding — basic	29,534	29,136	29,408	29,083
Dilutive effect of share-based compensation awards <sup>(2)</sup>	558	237	693	135
Dilutive effect of conversion of Notes <sup>(3)</sup>	4,848	—	4,848	—
Weighted-average shares of Class A common stock outstanding — diluted	34,940	29,373	34,949	29,218
Earnings per share of Class A common stock — basic	\$ 0.52	\$ 0.32	\$ 1.03	\$ 0.66
Earnings per share of Class A common stock — diluted	\$ 0.49	\$ 0.32	\$ 0.96	\$ 0.66

<sup>(1)</sup> Shares of the Company's Class B common stock do not share in the earnings 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.

<sup>(2)</sup> For the three and six months ended June 30, 2024, 1,136 thousand and 1,078 thousand of outstanding share-based compensation awards, respectively, were excluded from the computation of diluted earnings per share, as the effect of including those shares would be anti-dilutive. For the three and six months ended June 30, 2023, 2,134 thousand and 2,199 thousand of outstanding share-based compensation awards, respectively, were excluded from the computation of diluted earnings per share, as the effect of including those shares would be anti-dilutive.

<sup>(3)</sup> The dilutive impact of the Notes has been included in the dilutive earnings per share calculation for the three and six months ended June 30, 2024. For the three and six months ended June 30, 2023, 4,848 thousand shares of common stock associated with the assumed conversion of the Notes have been excluded from the computation of diluted earnings per share, as the effect of including those shares would be anti-dilutive.

## Note 6 — Stock Based Compensation

### Stock Options

The fair value of these equity awards is amortized to equity based compensation expense over the vesting period, which totaled \$0.2 million and \$0.5 million for the three and six months ended June 30, 2024, respectively, and \$0.4 million and \$0.9 million for the three and six months ended June 30, 2023. All stock based compensation expense is included in selling, general and administrative expenses based on the role of recipients. No options were issued during the three and six months ended June 30, 2024.

### Restricted Stock Units

The Company awards RSUs to certain employees under the Plan, which are subject to time-based vesting conditions. Upon a termination of service relationship by the Company, all unvested RSUs will generally 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 June 30, 2024, total unrecognized compensation cost related to unvested RSUs was \$25.3 million and is expected to vest over a weighted average of 2.9 years.

The fair value of these equity awards is amortized to equity based compensation expense over the vesting period, which totaled \$2.6 million and \$4.9 million for the three and six months ended June 30, 2024, and \$2.3 million and \$4.3 million for the three and six months ended June 30, 2023, respectively. All stock based compensation expense is included in selling, 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 June 30, 2024.

	Number of Shares (in 000's)	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2023	853	\$ 23.06
Granted	1,313	12.02
Settled	(234)	22.72
Forfeited and cancelled	(244)	16.18
Outstanding at December 31, 2023	1,688	\$ 15.26
Granted	692	17.37
Settled	(463)	16.38
Forfeited and canceled	(58)	16.14
Nonvested RSUs at June 30, 2024	1,859	\$ 15.74

#### Note 7 — Non-Controlling Interests

The following table presents the outstanding membership interests in HoldCo ("LLC Interests") and changes in LLC Interests for the periods presented.

<i>\$'s in 000's</i>	LLC Interests held			% of Total	
	LLC Owners	PetIQ, Inc.	Total	LLC Owners	PetIQ, Inc.
As of January 1, 2023	252	28,974	29,226	0.9 %	99.1 %
Stock based compensation transactions	—	201	201		
Exchange transactions	(21)	21	—		
As of December 31, 2023	231	29,196	29,427	0.8 %	99.2 %
Stock based compensation transactions	—	430	430		
As of June 30, 2024	231	29,626	29,857	0.8 %	99.2 %

Note that certain figures shown in the table above may not recalculate due to rounding.

For the three and six months ended June 30, 2024 and 2023 the Company owned a weighted average of 99.2% of HoldCo, respectively.

#### Note 8 — Commitments and Contingencies

##### Litigation Contingencies

The Company records a liability for a particular contingency when the Company determines the contingency is probable and estimable. The Company had no accrual for litigation related matters as of June 30, 2024 and December 31, 2023, respectively. The Company includes any related expenses within selling, general and administrative expenses.



During the six months ended June 30, 2024, the Company recorded \$0.3 million of expense associated with the settlement of a lawsuit brought against the Company.

### Commitments

The Company has commitments for long-term debt that are discussed further in Note 2 — Debt, and leases. In addition, the Company has purchase obligations for goods and services, capital expenditures, and raw materials entered into in the normal course of business.

### Note 9 — Segments

The Company has two operating segments: Products and Services. The Products segment consists of the Company’s manufacturing and distribution business. The Services segment consists of the Company’s veterinary services and related product sales. The segments are based on the discrete financial information reviewed by the Chief Operating Decision Maker (“CODM”) to make resource allocation decisions and to evaluate performance. The Company measures and evaluates its reportable segments based on their respective Segment Adjusted EBITDA performance. The Company allocates certain capital expenditures and costs, such as accounting, legal, human resources, information technology and corporate headquarters expenses, to the Company’s segments on a pro rata basis based on net sales to better align with the discrete financial information reviewed by the Company’s CODM.

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

<i>\$'s in 000's</i>			
<b>June 30, 2024</b>			
		<b>Products</b>	<b>Services</b>
Net sales	\$	291,200	\$ 37,741
Segment Adjusted EBITDA		35,930	3,227
Depreciation expense		2,116	1,044

<i>\$'s in 000's</i>			
<b>June 30, 2023</b>			
		<b>Products</b>	<b>Services</b>
Net sales	\$	278,167	\$ 36,380
Segment Adjusted EBITDA		33,279	1,511
Depreciation expense		1,861	2,303

Financial information relating to the Company’s operating segments for the six months ended:

<i>\$'s in 000's</i>			
<b>June 30, 2024</b>			
		<b>Products</b>	<b>Services</b>
Net sales	\$	568,091	\$ 69,293
Segment Adjusted EBITDA		70,535	4,133
Depreciation expense		4,340	2,262

<i>\$'s in 000's</i>			
<b>June 30, 2023</b>			
		<b>Products</b>	<b>Services</b>
Net sales	\$	537,160	\$ 67,858
Segment Adjusted EBITDA		65,474	2,362
Depreciation expense		3,677	4,008

The following table reconciles Segment Adjusted EBITDA to Net income for the periods presented.

<i>\$'s in 000's</i>	For the Three Months Ended		For the Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
<b>Segment Adjusted EBITDA:</b>				
Product	\$ 35,930	\$ 33,279	\$ 70,535	\$ 65,474
Services	3,227	1,511	4,133	2,362
<b>Total</b>	<b>39,157</b>	<b>34,790</b>	<b>74,668</b>	<b>67,836</b>
<b>Adjustments:</b>				
Depreciation	(3,160)	(4,164)	(6,602)	(7,685)
Amortization	(3,907)	(6,477)	(8,159)	(10,739)
Interest expense, net	(9,254)	(8,824)	(18,360)	(17,556)
Acquisition costs <sup>(1)</sup>	(198)	(297)	(198)	(835)
Stock based compensation expense	(2,792)	(2,743)	(5,401)	(5,208)
Non same-store adjustment <sup>(2)</sup>	(109)	(1,922)	(355)	(4,245)
Integration and business transformation costs <sup>(3)</sup>	(573)	(618)	(1,075)	(1,594)
Litigation expenses	(193)	—	(193)	—
Impairment and other asset charges <sup>(4)</sup>	(2,620)	—	(2,620)	—
<b>Pretax net income</b>	<b>\$ 16,351</b>	<b>\$ 9,745</b>	<b>\$ 31,705</b>	<b>\$ 19,974</b>
Income tax expense	(885)	(192)	(1,212)	(640)
<b>Net income</b>	<b>\$ 15,466</b>	<b>\$ 9,553</b>	<b>\$ 30,493</b>	<b>\$ 19,334</b>

<sup>(1)</sup> Acquisition costs include legal, accounting, banking, consulting, diligence, and other costs related to completed and contemplated acquisitions.

<sup>(2)</sup> Non same-store adjustment includes sales and costs, and associated gross profit, related to the Company's Services segment wellness centers with less than six full quarters of operating results, and also include pre-opening expenses.

<sup>(3)</sup> Integration and business transformation costs, including personnel costs such as severance and retention bonuses, consulting costs, contract termination costs and IT and ERP implementation costs.

<sup>(4)</sup> Impairment and other asset charges includes asset charges associated with the Company's sale of its foreign subsidiary, M&C, on April 30, 2024.

Supplemental geographic disclosures are below.

<i>\$'s in 000's</i>	Three Months Ended June 30, 2024		
	U.S.	Foreign	Total
Product sales	\$ 289,652	\$ 1,548	\$ 291,200
Services sales	37,741	—	37,741
<b>Total net sales</b>	<b>\$ 327,393</b>	<b>\$ 1,548</b>	<b>\$ 328,941</b>

<i>\$'s in 000's</i>	Three Months Ended June 30, 2023		
	U.S.	Foreign	Total
Product sales	\$ 276,074	\$ 2,093	\$ 278,167
Services sales	36,380	—	36,380
<b>Total net sales</b>	<b>\$ 312,454</b>	<b>\$ 2,093</b>	<b>\$ 314,547</b>

<i>\$'s in 000's</i>	Six Months Ended June 30, 2024		
	U.S.	Foreign	Total
Product sales	\$ 565,388	\$ 2,703	\$ 568,091
Services sales	\$ 69,293	\$ —	\$ 69,293
Total net sales	\$ 634,681	\$ 2,703	\$ 637,384

<i>\$'s in 000's</i>	Six Months Ended June 30, 2023		
	U.S.	Foreign	Total
Product sales	\$ 534,051	\$ 3,109	\$ 537,160
Services sales	\$ 67,858	\$ —	\$ 67,858
Total net sales	\$ 601,909	\$ 3,109	\$ 605,018

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

	June 30, 2024	December 31, 2023
United States	\$ 53,845	\$ 57,097
Europe	—	—
Total	\$ 53,845	\$ 57,097

#### Note 10 — Restructuring

During the year ended 2023, the Company implemented a Services segment optimization (the "optimization") to improve the functioning of the Services segment and profitability. The optimization included assessing the operational and financial performance of the Company's wellness centers since re-opening after the pandemic as well as the assessment of the veterinary labor market in each geographic market. The Company also evaluated its ability to potentially convert these locations to a more hygiene-focused offering and determined they would be unable to convert these locations in the future based on the aforementioned assessment and the available square footage within the respective wellness centers.

As a result of the optimization, the Company identified 149 underperforming wellness centers for closure. The Company closed 149 wellness centers during the year ended December 31, 2023 and as of June 30, 2024 continued to operate 133 wellness centers. Closure of the wellness centers required the Company to terminate leases early. The Company agreed upon termination amounts with retail partners in 2023 and made cash payments to settle remaining outstanding liability during the six months ended June 30, 2024. There were no restructuring expenses for the three and six months ended June 30, 2024.

Subsequent to June 30, 2024, the Company decided to close or convert essentially all remaining wellness centers within the Services segment. See Note 12 — Subsequent Events for additional information.

A roll forward of the Company's liability related to the optimization, which is included in accrued liabilities on the Company's condensed consolidated balance sheets, is as follows:

<i>\$'s in 000's</i>	Liability at December 31, 2023	Expenses	Cash Payments	Non-Cash Amounts	Liability at June 30, 2024
Lease termination	\$ 1,825	\$ —	\$ (1,825)	\$ —	\$ —
Variable lease expenses	1,010	—	(1,010)	—	—
Total Outstanding Restructuring Liability	\$ 2,835	\$ —	\$ (2,835)	\$ —	\$ —

#### Note 11 — Related Parties

Chris Christensen, the brother of CEO, McCord Christensen, acts as the Company's agent at Moreton Insurance, which acts as a broker for a number of the Company's insurance policies which renew at various dates throughout the year. Total annual policy premiums for policies in place at June 30, 2024 and 2023 was \$6.2 million and \$6.6 million, respectively. Mr. Chris Christensen earns various forms of compensation based on the specifics of each policy.

Katie Turner, the spouse of CEO, McCord Christensen, is the owner of Acadia Investor Relations LLC, (“Acadia”) which acts as the Company’s investor relations consultant. Acadia was paid \$0.06 million and \$0.1 million for the three and six months ended June 30, 2024 and 2023, respectively.

Michael Glasman, the brother of CFO, Zvi Glasman, acted as a broker in connection with the Company's entry into a Master Services Agreement with Syndeo, LLC d/b/a Broadvoice ("Broadvoice") in February 2023 for the provision of certain information technology related services. The amount to be paid to Broadvoice over the 39-month agreement is estimated at \$0.4 million. \$0.03 million and \$0.06 million was paid to Broadvoice for the three and six months ended June 30, 2024. No payments were made for the three and six months ended June 30, 2023. Mr. Michael Glasman earns various fees based on the services provided by Broadvoice

On April 30, 2024, the Company completed the sale of its foreign subsidiary M&C, to an entity affiliated with Kieran Carolan, who was the general manager of M&C at the time of sale. See Note 1 — Principal Business Activity and Significant Accounting Policies for more details.

## **Note 12 — Subsequent Events**

On August 6, 2024, the Company initiated a plan to close 46 wellness centers in the third quarter of 2024 and to convert the remaining 87 wellness centers to community clinics in the fourth quarter of 2024 to improve Services segment profitability.

The Company estimates that it will incur approximately \$10 million of restructuring charges in connection with the wellness center closures, including (i) approximately \$2.5 million to \$3.5 million of accelerated depreciation, (ii) approximately \$2.3 million to \$2.7 million in cash-based expenses related to employee severance payments, benefits and related costs, and (iii) \$3.6 million to \$4.6 million in lease and contract termination costs.

The Company expects that the execution of the wellness center closures and the majority of the cash payments related to the closures and conversions will be completed in the third and fourth quarters of 2024. The estimates of the charges and cash expenditures that the Company expects to incur in connection with the wellness center closures and conversions, and the timing thereof, are subject to a number of assumptions and actual amounts may differ materially from estimates. In addition, the Company may incur other charges or cash expenditures not currently contemplated due to unanticipated events that may occur.

### **Pending Merger with Bansk Group**

On August 7, 2024, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Gula Buyer Inc. (“Parent”), a Delaware corporation, and Gula Merger Sub Inc., a Delaware corporation and a wholly owned subsidiary of Parent (“Merger Sub”). The Merger Agreement provides that, on the terms and subject to the conditions set forth in the Merger Agreement, Parent, Merger Sub and the Company will effect a merger of Merger Sub with and into the Company (the “Merger”), with the Company continuing as the surviving corporation of the Merger as a wholly owned subsidiary of Parent. Parent and Merger Sub are affiliates of the Bansk Group (the “Bansk Group”).

The Board of Directors of the Company (the “Board”) determined that the transactions contemplated by the Merger Agreement, including the Merger, are advisable, fair to and in the best interests of the Company and its stockholders, and approved the Merger Agreement and the transactions contemplated by the Merger Agreement. The Board also resolved to recommend that the stockholders of the Company vote to adopt the Merger Agreement and approve the Merger.

Pursuant to the Merger Agreement, at the effective time of the Merger (the “Effective Time”), each share of Class A common stock of the Company outstanding immediately prior to the Effective Time (including any such shares outstanding as a result of the automatic exchange of all outstanding shares of Class B common stock of the Company and all outstanding units of PetIQ Holdings, LLC not held by the Company or any of its subsidiaries for shares of Class A common stock in connection with the consummation of the Merger, and excluding any Dissenting Shares (as defined in the Merger Agreement) and any shares held by the Company, Parent or any of their respective subsidiaries) shall be canceled and cease to exist and be converted into the right to receive \$31.00 in cash, without interest (the “Merger Consideration”), subject to applicable withholding taxes.

Pursuant to the Merger Agreement, at the Effective Time, each option to purchase shares of common stock of the Company that is outstanding immediately prior to the Effective Time (each, a “Company Option”) whether vested or unvested, will automatically be cancelled and converted into the right to receive an amount in cash equal to the product of (i) the total number of shares of common stock underlying such Company Option, multiplied by (ii) the excess, if any, of (A) the Merger Consideration over (B) the per share exercise price for such Company Option, less applicable tax withholdings. Any Company Option, whether vested or unvested, that has an exercise price per share that is greater than or equal to the Merger Consideration will be automatically cancelled at the Effective Time for no consideration or payment. Pursuant to the Merger Agreement, at the Effective Time, each of the Company’s outstanding restricted stock unit awards that is outstanding immediately prior to the Effective Time (each, a “Company RSU”) whether vested or unvested, will automatically be cancelled and converted solely into the right to receive an amount in cash equal to (i) the total number of shares of common stock underlying such Company RSU, multiplied by (ii) the Merger Consideration, less applicable tax withholdings.

Parent and Merger Sub have secured a combination of debt and equity financing, the aggregate proceeds of which Parent and Merger Sub have represented will be sufficient for Parent and Merger Sub to pay the aggregate Merger Consideration and consideration payable in respect of Company Options and Company RSUs, as well as other fees and expenses under the Merger Agreement. Parent has agreed to use its reasonable best efforts to obtain the debt financing on the terms and conditions described in the debt commitment letter entered into on August 6, 2024, in connection with the Merger Agreement. In addition, (i) certain affiliates of the Bansk Group (the “Investors”) have provided to the Company an equity commitment letter between Parent and each Investor, pursuant to which the Investors have committed, on the terms and subject to the conditions thereof, to invest in Parent the cash amounts set forth therein and (ii) certain affiliates of the Bansk

Group (the “Guarantors”) have provided the Company with a limited guarantee in favor of the Company, pursuant to which each Guarantor is guaranteeing, subject to the terms and conditions contained therein, the payment, if payable, of the Parent Termination Fee (as defined below) and certain other payment obligations of Parent under the Merger Agreement.

Completion of the Merger is subject to customary closing conditions, including (1) the adoption of the Merger Agreement and approval of the Merger by the holders of at least a majority of the outstanding shares of the Company’s common stock, (2) the expiration or early termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and (3) the absence of an order or law preventing the Merger. The Merger is not subject to a financing condition.

The Merger Agreement contains customary representations, warranties and covenants made by each of the Company, Parent and Merger Sub, including, among others, covenants by the Company regarding the conduct of its business prior to the closing of the Merger.

The Company is subject to customary “no-shop” restrictions on its ability (and the ability of its subsidiaries and representatives) to (1) solicit, initiate, propose or induce the making or knowingly encourage, facilitate or assist alternative acquisition proposals from third parties, (2) subject to certain exceptions, provide nonpublic information relating to the Company or any of its subsidiaries to third parties regarding alternative acquisition proposals or (3) engage in discussions or negotiations with third parties regarding alternative acquisition proposals. In addition, the Company has agreed that, subject to certain exceptions, the Board will not withdraw, withhold, amend or qualify or modify, in each case, in a manner adverse to Parent or Merger Sub, as it relates to its recommendation that the stockholders of the Company vote to adopt the Merger Agreement and approve the Merger.

The Company or Parent may terminate the Merger Agreement prior to the Effective Time if: (1) a governmental body issues or enacts an order, injunction or other legal requirement enjoining or otherwise prohibiting the consummation of the Merger, which has become final and non-appealable, (2) if the Effective Time has not occurred on or prior to 11:59 p.m. Eastern Time on February 7, 2025 (such date, the “Termination Date”) and (3) the stockholders of the Company fail to adopt the Merger Agreement. The Company may terminate the Merger Agreement in certain additional limited circumstances, including to allow the Company to enter into an agreement providing for an alternative acquisition transaction that constitutes a Superior Proposal (as defined in the Merger Agreement). Parent may terminate the Merger Agreement in certain additional limited circumstances, including if the Board withdraws, withholds, amends or qualifies or modifies, in each case, in a manner adverse to Parent or Merger Sub, its recommendation that the stockholders of the Company vote to adopt the Merger Agreement and approve the Merger.

Upon termination of the Merger Agreement under certain specified circumstances, the Company will be required to pay Parent a termination fee (the “Company Termination Fee”) of \$34,606,500. Specifically, the Company Termination Fee is payable if (1) the Merger Agreement is terminated in certain circumstances; (2) prior to such termination (but after the date of the Merger Agreement) a proposal for an alternative acquisition transaction has been publicly disclosed or otherwise made to the Board and not publicly withdrawn (if made publicly); and (3) within twelve months of such termination, the Company subsequently consummates an alternative acquisition transaction or enters into a definitive agreement providing for an alternative acquisition transaction and such transaction is ultimately consummated. The Company Termination Fee will also be payable if the Merger Agreement is terminated: (1) by Parent (a) if the Board withdraws, withholds, amends or qualifies or modifies, in each case, in a manner adverse to Parent or Merger Sub, its recommendation that the stockholders of the Company vote to adopt the Merger Agreement and approve the Merger or (b) for the Company’s uncured willful breach of the “no-shop” restrictions; or (2) by the Company in order to enter into an agreement providing for an alternative acquisition transaction that constitutes a Superior Proposal. Upon termination of the Merger Agreement under certain other specified circumstances, Parent will be required to pay the Company a termination fee (the “Parent Termination Fee”) of \$69,213,000.

The Merger Agreement also provides that the Company, on the one hand, or Parent and Merger Sub, on the other hand, may specifically enforce the obligations under the Merger Agreement, including the obligation to consummate the Merger if the conditions set forth in the Merger Agreement are satisfied. In the event the Merger Agreement is validly terminated, Parent’s and Merger Sub’s aggregate liability for monetary damages for breaches of the Merger Agreement are capped at the amount of the Parent Termination Fee plus Enforcement Expenses and Reimbursement Obligations (as such terms are defined in the Merger Agreement), and the Company’s liability for monetary damages for breaches of the Merger Agreement are capped at \$100,000,000 plus any Enforcement Expenses (as defined in the Merger Agreement).

The foregoing description of the Merger Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Merger Agreement, a copy of which is incorporated herein by reference as Exhibit 2.1.

In connection with the execution of the Merger Agreement, on the terms and subject to the conditions set forth therein, the Company’s Chief Executive Officer, McCord Christensen, has entered into an amended and restated employment

agreement with the Company, to become effective at the closing of the Merger, and certain stockholders (collectively, the “Rollover Persons”) have each entered into a rollover agreement (collectively, the “Rollover Agreements”) with a parent entity of Parent (“TopCo”), pursuant to which, among other things, (i) immediately prior to and contingent upon the occurrence of the Merger, TopCo will issue to each Rollover Person a number of newly issued non-voting common units of TopCo in exchange for a number of shares in the Company held by such Rollover Person having an equivalent value (collectively, the “Rollover Shares”) and (ii) certain Rollover Persons will reinvest a portion of their respective after-tax proceeds from the consideration received in respect of their Company Options and Company RSUs into a number of newly issued non-voting common units of TopCo, on the terms and subject to the conditions set forth in the applicable Rollover Agreement. The Rollover Agreements also contemplate that at the closing, each of the Rollover Persons will enter into an amended and restated limited partnership agreement of TopCo and that the TopCo units received by the Rollover Persons pursuant to their respective Rollover Agreements will be subject to the restrictions on transfer and other terms and conditions of such limited partnership agreement. The Rollover Persons will not be entitled to receive the Merger Consideration in respect of the Rollover Shares.

Assuming timely receipt of required regulatory approvals and timely satisfaction of other closing conditions, including the approval by our stockholders of the adoption of the Merger Agreement, we currently expect the closing of the Merger to occur during the fourth quarter of 2024.

## **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, 2023 and related notes included in the Annual Report on Form 10-K for the year ended December 31 filed with the Securities and Exchange Commission (the “SEC”) on February 29, 2024. 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.” Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to “we,” “us” and “our” refer to PetIQ, Inc. and our consolidated subsidiaries.*

Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to “we,” “us” and “our” refer to PetIQ, Inc. and our consolidated subsidiaries.

### **Business Overview**

PetIQ is a leading pet medication, product and wellness company delivering a smarter way for pet parents to help pets live their best lives through convenient access to affordable health and wellness products and veterinary services. We have two reporting segments: (i) Products; and (ii) Services. PetIQ believes that pets are an important part of the family and deserve the best products and care we can provide.

Our Products segment consists of our product manufacturing and distribution business through which we manufacture and distribute pet medication and health and wellness products to major U.S. retail and e-commerce channels through more than 60,000 points of distribution. We focus our offerings on innovative, proprietary value-branded products, and leading third-party branded products for dogs and cats, including pet Rx medications, OTC medications and wellness products. Our Products segment is further supported by our world-class medications manufacturing facility in Omaha, Nebraska and health and wellness manufacturing facility in Springville, Utah.

Our Services segment consists of veterinary services, and related product sales, provided by us directly to consumers. Our national veterinarian service platform operates at over 2,600 community clinic locations and wellness centers hosted at retailers across 39 states providing cost effective and convenient veterinary wellness services. We offer diagnostic tests, vaccinations, prescription medications, microchipping, grooming and hygiene and wellness checks.

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, operates and controls all of the business and affairs of Opco.

### **Recent Developments**

#### **Pending Merger with Bansk Group**

On August 7, 2024, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Gula Buyer Inc. (“Parent”), a Delaware corporation, and Gula Merger Sub Inc., a Delaware corporation and a wholly owned subsidiary of Parent (“Merger Sub”). The Merger Agreement provides that, on the terms and subject to the conditions set forth in the Merger Agreement, Parent, Merger Sub and the Company will effect a merger of Merger Sub with and into the Company (the “Merger”), with the Company continuing as the surviving corporation of the Merger as a wholly owned subsidiary of Parent. Parent and Merger Sub are affiliates of the Bansk Group (the “Bansk Group”).

The Board of Directors of the Company (the “Board”) determined that the transactions contemplated by the Merger Agreement, including the Merger, are advisable, fair to and in the best interests of the Company and its stockholders, and approved the Merger Agreement and the transactions contemplated by the Merger Agreement. The Board also resolved to recommend that the stockholders of the Company vote to adopt the Merger Agreement and approve the Merger.

Pursuant to the Merger Agreement, at the effective time of the Merger (the “Effective Time”), each share of Class A common stock of the Company outstanding immediately prior to the Effective Time (including any such shares outstanding as a result of the automatic exchange of all outstanding shares of Class B common stock of the Company and all outstanding units of PetIQ Holdings, LLC not held by the Company or any of its subsidiaries for shares of Class A common stock in connection with the consummation of the Merger, and excluding any Dissenting Shares (as defined in the Merger Agreement) and any shares held by the Company, Parent or any of their respective subsidiaries) shall be canceled and cease to exist and be converted into the right to receive \$31.00 in cash, without interest (the “Merger Consideration”), subject to applicable withholding taxes.

Pursuant to the Merger Agreement, at the Effective Time, each option to purchase shares of common stock of the Company that is outstanding immediately prior to the Effective Time (each, a “Company Option”) whether vested or unvested, will automatically be cancelled and converted into the right to receive an amount in cash equal to the product of (i) the total number of shares of common stock underlying such Company Option, multiplied by (ii) the excess, if any, of (A) the Merger Consideration over (B) the per share exercise price for such Company Option, less applicable tax withholdings. Any Company Option, whether vested or unvested, that has an exercise price per share that is greater than or equal to the Merger Consideration will be automatically cancelled at the Effective Time for no consideration or payment. Pursuant to the Merger Agreement, at the Effective Time, each of the Company’s outstanding restricted stock unit awards that is outstanding immediately prior to the Effective Time (each, a “Company RSU”) whether vested or unvested, will automatically be cancelled and converted solely into the right to receive an amount in cash equal to (i) the total number of shares of common stock underlying such Company RSU, multiplied by (ii) the Merger Consideration, less applicable tax withholdings.

Parent and Merger Sub have secured a combination of debt and equity financing, the aggregate proceeds of which Parent and Merger Sub have represented will be sufficient for Parent and Merger Sub to pay the aggregate Merger Consideration and consideration payable in respect of Company Options and Company RSUs, as well as other fees and expenses under the Merger Agreement. Parent has agreed to use its reasonable best efforts to obtain the debt financing on the terms and conditions described in the debt commitment letter entered into on August 6, 2024, in connection with the Merger Agreement. In addition, (i) certain affiliates of the Bansk Group (the “Investors”) have provided to the Company an equity commitment letter between Parent and each Investor, pursuant to which the Investors have committed, on the terms and subject to the conditions thereof, to invest in Parent the cash amounts set forth therein and (ii) certain affiliates of the Bansk Group (the “Guarantors”) have provided the Company with a limited guarantee in favor of the Company, pursuant to which each Guarantor is guaranteeing, subject to the terms and conditions contained therein, the payment, if payable, of the Parent Termination Fee (as defined below) and certain other payment obligations of Parent under the Merger Agreement.

Completion of the Merger is subject to customary closing conditions, including (1) the adoption of the Merger Agreement and approval of the Merger by the holders of at least a majority of the outstanding shares of the Company’s common stock, (2) the expiration or early termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and (3) the absence of an order or law preventing the Merger. The Merger is not subject to a financing condition.

The Merger Agreement contains customary representations, warranties and covenants made by each of the Company, Parent and Merger Sub, including, among others, covenants by the Company regarding the conduct of its business prior to the closing of the Merger.

The Company is subject to customary “no-shop” restrictions on its ability (and the ability of its subsidiaries and representatives) to (1) solicit, initiate, propose or induce the making or knowingly encourage, facilitate or assist alternative acquisition proposals from third parties, (2) subject to certain exceptions, provide nonpublic information relating to the Company or any of its subsidiaries to third parties regarding alternative acquisition proposals or (3) engage in discussions or negotiations with third parties regarding alternative acquisition proposals. In addition, the Company has agreed that, subject to certain exceptions, the Board will not withdraw, withhold, amend or qualify or modify, in each case, in a manner



adverse to Parent or Merger Sub, as it relates to its recommendation that the stockholders of the Company vote to adopt the Merger Agreement and approve the Merger.

The Company or Parent may terminate the Merger Agreement prior to the Effective Time if: (1) a governmental body issues or enacts an order, injunction or other legal requirement enjoining or otherwise prohibiting the consummation of the Merger, which has become final and non-appealable, (2) if the Effective Time has not occurred on or prior to 11:59 p.m. Eastern Time on February 7, 2025 (such date, the “Termination Date”) and (3) the stockholders of the Company fail to adopt the Merger Agreement. The Company may terminate the Merger Agreement in certain additional limited circumstances, including to allow the Company to enter into an agreement providing for an alternative acquisition transaction that constitutes a Superior Proposal (as defined in the Merger Agreement). Parent may terminate the Merger Agreement in certain additional limited circumstances, including if the Board withdraws, withholds, amends or qualifies or modifies, in each case, in a manner adverse to Parent or Merger Sub, its recommendation that the stockholders of the Company vote to adopt the Merger Agreement and approve the Merger.

Upon termination of the Merger Agreement under certain specified circumstances, the Company will be required to pay Parent a termination fee (the “Company Termination Fee”) of \$34,606,500. Specifically, the Company Termination Fee is payable if (1) the Merger Agreement is terminated in certain circumstances; (2) prior to such termination (but after the date of the Merger Agreement) a proposal for an alternative acquisition transaction has been publicly disclosed or otherwise made to the Board and not publicly withdrawn (if made publicly); and (3) within twelve months of such termination, the Company subsequently consummates an alternative acquisition transaction or enters into a definitive agreement providing for an alternative acquisition transaction and such transaction is ultimately consummated. The Company Termination Fee will also be payable if the Merger Agreement is terminated: (1) by Parent (a) if the Board withdraws, withholds, amends or qualifies or modifies, in each case, in a manner adverse to Parent or Merger Sub, its recommendation that the stockholders of the Company vote to adopt the Merger Agreement and approve the Merger or (b) for the Company’s uncured willful breach of the “no-shop” restrictions; or (2) by the Company in order to enter into an agreement providing for an alternative acquisition transaction that constitutes a Superior Proposal. Upon termination of the Merger Agreement under certain other specified circumstances, Parent will be required to pay the Company a termination fee (the “Parent Termination Fee”) of \$69,213,000.

The Merger Agreement also provides that the Company, on the one hand, or Parent and Merger Sub, on the other hand, may specifically enforce the obligations under the Merger Agreement, including the obligation to consummate the Merger if the conditions set forth in the Merger Agreement are satisfied. In the event the Merger Agreement is validly terminated, Parent’s and Merger Sub’s aggregate liability for monetary damages for breaches of the Merger Agreement are capped at the amount of the Parent Termination Fee plus Enforcement Expenses and Reimbursement Obligations (as such terms are defined in the Merger Agreement), and the Company’s liability for monetary damages for breaches of the Merger Agreement are capped at \$100,000,000 plus any Enforcement Expenses (as defined in the Merger Agreement).

The foregoing description of the Merger Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Merger Agreement, a copy of which is incorporated herein by reference as Exhibit 2.1.

In connection with the execution of the Merger Agreement, on the terms and subject to the conditions set forth therein, the Company’s Chief Executive Officer, McCord Christensen, has entered into an amended and restated employment agreement with the Company, to become effective at the closing of the Merger, and certain stockholders (collectively, the “Rollover Persons”) have each entered into a rollover agreement (collectively, the “Rollover Agreements”) with a parent entity of Parent (“TopCo”), pursuant to which, among other things, (i) immediately prior to and contingent upon the occurrence of the Merger, TopCo will issue to each Rollover Person a number of newly issued non-voting common units of TopCo in exchange for a number of shares in the Company held by such Rollover Person having an equivalent value (collectively, the “Rollover Shares”) and (ii) certain Rollover Persons will reinvest a portion of their respective after-tax proceeds from the consideration received in respect of their Company Options and Company RSUs into a number of newly issued non-voting common units of TopCo, on the terms and subject to the conditions set forth in the applicable Rollover Agreement. The Rollover Agreements also contemplate that at the closing, each of the Rollover Persons will enter into an amended and restated limited partnership agreement of TopCo and that the TopCo units received by the Rollover Persons pursuant to their respective Rollover Agreements will be subject to the restrictions on transfer and other terms and conditions of such limited partnership agreement. The Rollover Persons will not be entitled to receive the Merger Consideration in respect of the Rollover Shares.

Assuming timely receipt of required regulatory approvals and timely satisfaction of other closing conditions, including the approval by our stockholders of the adoption of the Merger Agreement, we currently expect the closing of the Merger to occur during the fourth quarter of 2024.

## **Wellness Center Closures**

On August 6, 2024, the Company initiated a plan to close 46 wellness centers in the third quarter of 2024 and to convert the remaining 87 wellness centers to community clinics in the fourth quarter of 2024 to improve Services segment profitability.

The Company estimates that it will incur approximately \$10 million of restructuring charges in connection with the wellness center closures, including (i) approximately \$2.5 million to \$3.5 million of accelerated depreciation, (ii) approximately \$2.3 million to \$2.7 million in cash-based expenses related to employee severance payments, benefits and related costs, and (iii) \$3.6 million to \$4.6 million in lease and contract termination costs.

The Company expects that the execution of the wellness center closures and the majority of the cash payments related to the closures and conversions will be completed in the third and fourth quarters of 2024. The estimates of the charges and cash expenditures that the Company expects to incur in connection with the wellness center closures and conversions, and the timing thereof, are subject to a number of assumptions and actual amounts may differ materially from estimates. In addition, the Company may incur other charges or cash expenditures not currently contemplated due to unanticipated events that may occur.

## Results of Operations

The following tables set forth our condensed consolidated statements of operations in dollars and as a percentage of net sales for the periods presented:

<i>\$'s in 000's</i>	For the Three Months Ended		% of Net Sales for the Three Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	Product sales	\$ 291,200	\$ 278,167	88.5%
Services sales	37,741	36,380	11.5%	11.6%
Total net sales	328,941	314,547	100.0%	100.0%
Cost of products sold	212,650	210,428	64.6%	66.9%
Cost of services	28,008	30,240	8.5%	9.6%
Total cost of sales	240,658	240,668	73.2%	76.5%
Gross profit	88,283	73,879	26.8%	23.5%
Selling, general and administrative expenses	60,082	55,159	18.3%	17.5%
Impairment and other asset charges	2,620	—	0.8%	—%
Operating income	25,581	18,720	7.8%	6.0%
Interest expense, net	9,254	8,824	2.8%	2.8%
Other (income) expense, net	(24)	151	—%	—%
Total other expense, net	9,230	8,975	2.8%	2.9%
Pretax net income	16,351	9,745	5.0%	3.1%
Income tax expense	(885)	(192)	(0.3)%	(0.1)%
Net income	\$ 15,466	\$ 9,553	4.7%	3.0%

<i>\$'s in 000's</i>	For the Six Months Ended		% of Net Sales for the Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
	Product sales	\$ 568,091	\$ 537,160	89.1%
Services sales	69,293	67,858	10.9%	11.2%
Total net sales	637,384	605,018	100.0%	100.0%
Cost of products sold	421,713	411,330	66.2%	68.0%
Cost of services	52,845	57,549	8.3%	9.5%
Total cost of sales	474,558	468,879	74.5%	77.5%
Gross profit	162,826	136,139	25.5%	22.5%
Selling, general and administrative expenses	110,291	98,486	17.3%	16.3%
Impairment and other asset charges	2,620	—	0.4%	—%
Operating income	49,915	37,653	7.8%	6.2%
Interest expense, net	18,360	17,556	2.9%	2.9%
Other (income) expense, net	(150)	123	—%	—%
Total other expense, net	18,210	17,679	2.9%	2.9%
Pretax net income	31,705	19,974	5.0%	3.3%
Income tax expense	(1,212)	(640)	(0.2)%	(0.1)%
Net income	\$ 30,493	\$ 19,334	4.8%	3.2%

## Three Months Ended June 30, 2024 Compared With Three Months Ended June 30, 2023

### *Net sales*

#### *Consolidated Net Sales*

Consolidated net sales increased \$14.4 million, or 4.6%, to \$328.9 million for the three months ended June 30, 2024, compared to \$314.5 million for the three months ended June 30, 2023. Net sales growth of \$13.0 million within the Products segment was driven by broad strength across most product categories on strong consumer demand, led by manufacturing categories, distributed categories, and co-manufacturing. The Services segment sales grew by \$1.4 million driven by growth in mobile community clinic sales, partially offset by the closure of 149 wellness centers in the second half of 2023.

#### Products Segment

Products segment sales increased \$13.0 million, or 4.7%, to \$291.2 million for the three months ended June 30, 2024, compared to \$278.2 million for the three months ended June 30, 2023. This increase was driven by broad strength across most product categories on strong consumer demand, led by manufacturing categories, distributed categories, and co-manufacturing.

#### Services Segment

Services segment sales increased \$1.4 million, or 3.7%, to \$37.7 million for the three months ended June 30, 2024, compared to \$36.4 million for the three months ended June 30, 2023. The increase in Services segment sales reflects growth in mobile community clinic sales, partially offset by the closure of 149 wellness centers in the second half of 2023.

### *Gross profit*

Gross profit for the three months ended June 30, 2024 was \$88.3 million, an increase of 19.5%, compared to \$73.9 million for the three months ended June 30, 2023. Gross margin increased 330 basis points to 26.8% for the three months ended June 30, 2024 compared to 23.5% for the three months ended June 30, 2023. Our Products segment contributed approximately \$10.8 million, primarily as a result of favorable product and channel mix resulting primarily from the increase in sales of our higher margin manufactured portfolio, as well as operational efficiencies on higher volumes. Our Services segment contributed approximately \$3.6 million, primarily due to the Services segment optimization.

### *Selling, general and administrative expenses*

Consolidated selling, general and administrative expenses (“SG&A”) increased \$4.9 million, or 8.9%, to \$60.1 million for the three months ended June 30, 2024, compared to \$55.2 million for the three months ended June 30, 2023. The \$4.9 million increase was due to planned higher marketing expense to support the growth of our manufactured products, increased compensation expense, and higher variable fulfillment costs, partially offset by lower professional services expenses, benefits from the Services segment optimization, and amortization related to termination of an in-process research and development agreement during the three months ended June 30, 2023 which had no comparable event in the current period. As a percentage of net sales, SG&A increased from 17.5% for the three months ended June 30, 2023 to 18.3% for the three months ended June 30, 2024 primarily as a result of the aforementioned increase in marketing expense.

#### Products Segment

Products segment SG&A increased \$6.0 million, or approximately 13.2%, to \$51.5 million for the three months ended June 30, 2024, compared to \$45.5 million, for the three months ended June 30, 2023. This increase was primarily due to additional marketing and advertising costs to support our manufactured brand, increased compensation expense and higher variable fulfillment costs, partially offset by lower professional services expenses and amortization related to termination of an in-process research and development agreement during the three months ended June 30, 2023 which had no comparable event in the current period.

### Services Segment

Services segment SG&A decreased \$1.0 million, or 10.7%, to \$8.6 million, for the three months ended June 30, 2024, compared to \$9.6 million, for the three months ended June 30, 2023 primarily as a result of the Services segment optimization.

### ***Impairment and other asset charges***

During the three months ended June 30, 2024, we sold our foreign subsidiary, M&C. In connection with the sale of the business, we recorded an asset charge of \$2.6 million for the three months ended June 30, 2024 for which there was no comparable event during the prior year period.

### ***Interest expense, net***

Interest expense, net, increased \$0.4 million to \$9.3 million for the three months ended June 30, 2024, compared to \$8.8 million for the three months ended June 30, 2023. This was due to higher interest rates incurred associated with our variable rate debt, partially offset by lower debt balances and interest earned on the our cash and cash equivalents.

### ***Provision for income taxes***

Our effective tax rate was 5.4% and 2.0% for the three months ended June 30, 2024 and 2023, respectively, with a tax expense of \$0.9 million and \$0.2 million, respectively. The tax rate is different than the U.S federal statutory income tax rate of 21% primarily due to the effects of the change in valuation allowance, state taxes, and the foreign rate differential.

## **Six Months Ended June 30, 2024 Compared With Six Months Ended June 30, 2023**

### ***Net sales***

#### *Consolidated Net Sales*

Consolidated net sales increased \$32.4 million, or 5.3%, to \$637.4 million for the six months ended June 30, 2024, compared to \$605.0 million for the six months ended June 30, 2023. Net sales growth of \$30.9 million within the Products segment was driven by broad strength across most product categories on strong consumer demand, including manufacturing categories, distributed categories, and co-manufacturing. The Services segment sales grew by \$1.4 million driven by growth in mobile community clinic sales, partially offset by the closure of 149 wellness centers in the second half of 2023.

### Products Segment

Product sales increased \$30.9 million, or 5.8%, to \$568.1 million for the six months ended June 30, 2024, compared to \$537.2 million for the six months ended June 30, 2023. This increase was driven by broad strength across most product categories on strong consumer demand, including manufacturing categories, distributed categories, and co-manufacturing.

### Services Segment

Services sales increased \$1.4 million, or 2.1%, to \$69.3 million for the six months ended June 30, 2024, compared to \$67.9 million for the six months ended June 30, 2023. The increased service sales were driven by growth in mobile community clinic sales, partially offset by the closure of 149 wellness centers in the second half of 2023.

### ***Gross profit***

Gross profit increased by \$26.7 million, or 19.6%, to \$162.8 million for the six months ended June 30, 2024, compared to \$136.1 million for the six months ended June 30, 2023. Gross margin increased to 25.5% for the six months ended June 30, 2024, compared to 22.5% for the six months ended June 30, 2023. Our Products segment contributed approximately \$20.5 million, primarily as a result of favorable product and channel mix resulting primarily from the increase in sales of our higher margin manufactured portfolio as well as, operational efficiencies on higher volumes. Our Services segment contributed approximately \$6.1 million, primarily due to the Services segment optimization.

### ***Selling, general and administrative expenses***

Consolidated SG&A increased by \$11.8 million, or 12.0%, to \$110.3 million for the six months ended June 30, 2024, compared to \$98.5 million for the six months ended June 30, 2023, primarily driven by increases in variable fulfillment costs, compensation, benefits from the Services segment optimization, and increased marketing spend to support our branded portfolio, partially offset by decreases in professional services expenses, benefits from the Services segment optimization, and amortization related to termination of an in-process research and development agreement during the six months ended June 30, 2023 which had no comparable event in the current period. As a percentage of net sales, SG&A increased from 16.3% for the six months ended June 30, 2023 to 17.3% for the six months ended June 30, 2024, primarily as a result of the aforementioned increase in marketing expense.

### **Products Segment**

Products segment SG&A increased \$13.2 million or approximately 16.4% to \$93.7 million for the six months ended June 30, 2024, compared to \$80.5 million for the six months ended June 30, 2023. This increase was driven by variable fulfillment costs, compensation, and increased marketing spend to support our branded portfolio, partially offset by decreases in professional services expenses and amortization related to termination of an in-process research and development agreement during the six months ended June 30, 2023 which had no comparable event in the current period.

### **Services Segment**

Services segment SG&A decreased \$1.3 million, or 7.4%, to \$16.6 million for the six months ended June 30, 2024, compared to \$17.9 million for the six months ended June 30, 2023. This decrease was driven by benefits from the Services segment optimization.

### ***Impairment and other asset charges***

During the six months ended June 30, 2024, we sold our foreign subsidiary, M&C. In connection with the sale of the business, we recorded an asset charge of \$2.6 million for the six months ended June 30, 2024 for which there was no comparable event during the prior year period.

### ***Interest expense, net***

Interest expense, net, increased \$0.8 million to \$18.4 million for the six months ended June 30, 2024, compared to \$17.6 million for the six months ended June 30, 2023. This was due to higher interest rates incurred associated with our variable rate debt, partially offset by lower debt balances and interest earned on our cash and cash equivalents.

### ***Provision for income taxes***

Our effective tax rate was 3.8% and 3.2% for the six months ended June 30, 2024 and 2023, respectively, with a tax expense of \$1.2 million and \$0.6 million, respectively. The tax rate is different than the U.S federal statutory income tax rate of 21% primarily due to the effects of a change in valuation allowance, state taxes, and the foreign rate differential.

### ***Consolidated Non-GAAP Financial Measures***

EBITDA and Adjusted EBITDA are non-GAAP financial measures. We calculate EBITDA as net income adjusted for income tax expense, depreciation, amortization, and interest expense, net. We calculate Adjusted EBITDA as EBITDA adjusted for acquisition costs, stock-based compensation expense, integration and business transformation, and other one-time transactions that management does not believe are representative of our core ongoing business. Adjusted EBITDA is utilized by management in evaluating our performance and the effectiveness of our business strategies. We present 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 supplementary. You should review the reconciliations of net 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 to EBITDA and Adjusted EBITDA for the periods presented.

<i>\$'s in 000's</i>	For the Three Months Ended		For the Six Months Ended	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Net income	\$ 15,466	\$ 9,553	\$ 30,493	\$ 19,334
Plus:				
Tax expense	885	192	1,212	640
Depreciation	3,160	4,164	6,602	7,685
Amortization	3,907	6,477	8,159	10,739
Interest expense, net	9,254	8,824	18,360	17,556
EBITDA	\$ 32,672	\$ 29,210	\$ 64,826	\$ 55,954
Impairment and other asset charges <sup>(1)</sup>	2,620	—	2,620	—
Acquisition costs <sup>(2)</sup>	198	297	198	835
Stock based compensation expense	2,792	2,743	5,401	5,208
Integration and business transformation costs <sup>(3)</sup>	573	618	1,075	1,594
Litigation expenses	193	—	193	—
Adjusted EBITDA	\$ 39,048	\$ 32,868	\$ 74,313	\$ 63,591

<sup>(1)</sup> Impairment and other asset charges includes asset charges associated with the Company's sale of its foreign subsidiary, M&C, on April 30, 2024.

<sup>(2)</sup> Acquisition costs include legal, accounting, banking, consulting, diligence, and other costs related to completed and contemplated acquisitions.

<sup>(3)</sup> Integration and business transformation costs, including personnel costs such as severance and retention bonuses, consulting costs, contract termination costs and IT and ERP implementation costs.

## **Financial Condition, Liquidity, and Capital Resources**

Historically, our primary sources of liquidity have been cash flows from operations, borrowings, and equity financing. As of June 30, 2024 and December 31, 2023, our cash and cash equivalents were \$84.1 million and \$116.4 million, respectively. As of June 30, 2024, we had an unused revolving credit facility with availability of \$125.0 million, \$291.0 million outstanding under our term loan, \$143.8 million of outstanding convertible notes, and \$13.4 million in other debt. Our debt agreements bear interest at rates between 4.00% and 9.71%. See “Note 2 — Debt” to our condensed consolidated financial statements included herein for a description of each of our debt arrangements.

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. Our primary working capital requirements are to fund inventory and accounts receivable to support our sales. Fluctuations in working capital are primarily driven by seasonal retailer demand. As of June 30, 2024 and December 31, 2023, we had working capital (current assets less current liabilities) of \$288.4 million and \$241.3 million, respectively.

We believe that our operating cash flow, cash on hand, and debt proceeds from our borrowings under our debt facilities will be adequate to meet our operating, investing, and financing needs for at least the next 12 months. We believe we will meet our longer-term expected future cash requirements primarily from a combination of cash flow from operating activities, borrowings under our debt facilities and available cash and cash equivalents. 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, 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 or at all. As in the past, we will continue to explore opportunities to optimize our capital structure, subject to our obligations under the Merger Agreement to conduct our business in the ordinary course during the period between the execution of the Merger Agreement and the closing of the Merger and to not take, commit or agree to do certain actions without Parent’s consent, including, but not limited to, entering into material transactions outside the ordinary course of business, disposing of assets in excess of the amounts specified in the Merger Agreement, making capital expenditures in excess of the amounts specified in the Merger Agreement, issuing additional capital stock or other equity securities, or incurring additional indebtedness in excess of the amounts specified in the Merger Agreement. We do not believe these restrictions will prevent us from meeting our ongoing operating expenses, working capital needs or capital expenditure requirements.

## **Cash Flows**

### ***Cash (used in) provided by Operating Activities***

Net cash used in operating activities was \$27.3 million for the six months ended June 30, 2024, compared to \$14.4 million provided by operating activities for the six months ended June 30, 2023. The change in operating cash flows primarily reflects higher profitability offset by cash used in working capital increasing \$51.6 million driven primarily by the Company benefiting from improved vendor terms resulting in increased cash provided by accounts payable in 2023 of approximately \$37.8 million, growth in inventory to meet demand, and payout of the Company's annual bonus.

### ***Cash provided by (used in) Investing Activities***

Net cash provided by (used in) investing activities was \$0.2 million for the six months ended June 30, 2024, compared to \$31.8 million used in investing activities for the six months ended June 30, 2023. The increase in net cash provided by investing activities was primarily the result of \$27.6 million of cash utilized in the acquisition of Rocco & Roxie in 2023 which had no comparable event in the current year and from cash provided by the sale of our foreign subsidiary during the six months ended June 30, 2024 with no comparable event in the prior year.

### ***Cash used in Financing Activities***

Net cash used in financing activities was \$5.0 million for the six months ended June 30, 2024, compared to \$5.6 million for the six months ended June 30, 2023. The change in cash used in financing activities is primarily driven by cash provided by the exercise of options to purchase shares of the Company's common stock partially offset by tax withholding payments for restricted stock units.



### **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 ABL and our Term Loan B are variable rate debt. Interest rate changes generally do not affect the recorded value of our credit agreements but do affect the amount of our interest payments and, therefore, our future earnings and cash flows. As of June 30, 2024, we had variable rate debt of approximately \$291.0 million, primarily under our Revolver and Term Loan. An increase of 1% would have increased our interest expense for the three months ended June 30, 2024 by approximately \$0.7 million.

#### ***Inflation***

Inflation is a factor in our business and we continue to seek ways to mitigate its effect. Inflation has affected our performance in terms of higher costs for employee compensation and benefits, products that we distribute, and components of products we manufacture. We believe the effects of inflation, if any, on our historical results of operations and financial condition have not been material as we have been able to effectively implement price adjustments to pass-through the additional costs. However, in the future, we may not be able to increase prices to our customers sufficiently to offset these increased costs.

### **Item 4. Controls and Procedures.**

#### **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**

There was no other change in our internal control over financial reporting that occurred during our fiscal quarter ended June 30, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II—OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

We are from time to time subject to and/or are presently involved in, litigation and other proceedings. 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.

We record a liability when a particular contingency is both probable and estimable. If the probable loss cannot be reasonably estimated, no accrual is recorded, but the loss contingency and the reasons to the effect that it cannot be reasonably estimated are disclosed. If a loss is reasonably possible, the Company will provide disclosure to that effect. We expense legal costs as incurred within selling, general and administrative expenses on the condensed consolidated statements of operations. For information on legal proceedings, please refer to "Note 8 — Commitments and Contingencies" in the Notes to the Condensed Consolidated Financial Statements included in Part I Item 1 of this Quarterly Report on Form 10-Q.

#### **Item 1A. Risk Factors.**

Factors that could cause our actual results to differ materially from those in this report are any of the risks disclosed in our Annual Report on Form 10-K, which was filed with the SEC on February 29, 2024, and the risk factors disclosed below. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations.

##### ***Risks Related to Our Proposed Merger with Bansk Group***

##### ***The announcement and pendency of the pending Merger may adversely affect our business, financial condition and results of operations.***

Uncertainty about the effect of the pending Merger on our employees, customers and other parties may have an adverse effect on our business, financial condition and results of operation regardless of whether the pending Merger is completed. These risks to our business include the following, all of which may be exacerbated by a delay in the completion of the pending Merger: (i) the diversion of significant management time and resources from day-to-day operations towards the completion of the pending Merger; (ii) difficulties maintaining relationships with customers, suppliers, and other business partners; (iii) delays or deferments of certain business decisions by our customers, suppliers, and other business partners; (iv) the inability to pursue alternative business opportunities, engage in certain financing transactions or make appropriate changes to our business because the Merger Agreement requires us to conduct our business in the ordinary course of business consistent with past practice and not engage in certain kinds of transactions prior to the completion of the pending Merger without the prior written consent of Parent, even if such actions could prove beneficial; (v) litigation relating to the pending Merger and the costs related thereto; and (vi) the incurrence of significant costs, expenses, and fees for professional services and other transaction costs in connection with the pending Merger.

##### ***Failure to consummate the pending Merger within the expected time frame or at all may have a material adverse impact on our business, financial condition and results of operations and our stock price.***

There can be no assurance that the pending Merger will be consummated. The consummation of the pending Merger is subject to the satisfaction or waiver of specified closing conditions, some of which are beyond our control, including: (i) the adoption of the Merger Agreement and approval of the Merger by the holders of at least a majority of the outstanding shares of the Company's common stock; (ii) the expiration or early termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended; (iii) the absence of an order or law preventing the Merger; and (iv) other customary closing conditions. There can be no assurance that these and other conditions to closing will be satisfied in a timely manner or at all.

The Merger Agreement contains provisions that could discourage a potential competing acquirer from making a favorable alternative transaction proposal. The Merger Agreement also provides that the Merger Agreement may be terminated by us or Parent under certain circumstances, and in certain specified circumstances, upon termination of the Merger Agreement, we will be required to pay Parent a termination fee of \$34,606,500. Specifically, the Company Termination Fee is payable if (1) the Merger Agreement is terminated in certain circumstances; (2) prior to such termination (but after the date of the Merger Agreement) a proposal for an alternative acquisition transaction has been publicly disclosed or otherwise made to the Board and not publicly withdrawn (if made publicly); and (3) within twelve months of such termination, the Company subsequently consummates an alternative acquisition transaction or enters into a definitive agreement providing for an alternative acquisition transaction and such transaction is ultimately consummated. The Company Termination Fee will also be payable if the Merger Agreement is terminated: (1) by Parent (a) if the Board withdraws, withholds, amends or qualifies or modifies, in each case, in a manner adverse to Parent or Merger Sub, its recommendation that the stockholders of the Company vote to adopt the Merger Agreement and approve the Merger or (b) for the Company's uncured willful breach of the "no-shop" restrictions; or (2) by the Company in order to enter into an agreement providing for an alternative acquisition transaction that constitutes a Superior Proposal. Depending on the

circumstances requiring us to make this payment, doing so may materially adversely affect our business, financial condition and results of operations.

There can be no assurance that an adequate remedy will be available to us in the event of a breach of the Merger Agreement by Parent or its affiliates or that we will wholly or partially recover for any damages incurred by us in connection with the pending Merger. A failed transaction may result in negative publicity and a negative impression of us among our clients or in the investment community or business community generally. Further, any disruptions to our business resulting from the announcement and pendency of the pending Merger, including any adverse changes in our relationships with our customers, suppliers, other business partners and employees, may continue or accelerate in the event of a failed transaction. In addition, if the pending Merger is not completed, and there are no other parties willing and able to acquire the Company at a price of \$31.00 per share or higher, on terms acceptable to us, the share price of our common stock will likely decline to the extent that the current market price of our common stock reflects an assumption that the pending Merger will be completed. Also, we have incurred, and will continue to incur, significant costs, expenses, and fees for professional services and other transaction costs in connection with the pending Merger, for which we will have received little or no benefit if the pending Merger is not completed. Many of these fees and costs will be payable by us even if the pending Merger is not completed and may relate to activities that we would not have undertaken other than to complete the pending Merger.

## **Item 2. Unregistered Sales of Equity Securities and Results of Operations**

Not applicable.

## **Item 3. Defaults Upon Senior Securities**

Not applicable.

## **Item 4. Mine Safety Disclosures**

Not applicable.

## **Item 5. Other Information**

### Wellness Center Closures

On August 6, 2024, the Company initiated a plan to close 46 wellness centers in the third quarter of 2024 and to convert the remaining 87 wellness centers to community clinics in the fourth quarter of 2024 to improve Services segment profitability.

The Company estimates that it will incur approximately \$10 million of restructuring charges in connection with the wellness center closures, including (i) approximately \$2.5 million to \$3.5 million of accelerated depreciation, (ii) approximately \$2.3 million to \$2.7 million in cash-based expenses related to employee severance payments, benefits and related costs, and (iii) \$3.6 million to \$4.6 million in lease and contract termination costs.

The Company expects that the execution of the wellness center closures and the majority of the cash payments related to the closures and conversions will be completed in the third and fourth quarters of 2024. The estimates of the charges and cash expenditures that the Company expects to incur in connection with the wellness center closures and conversions, and the timing thereof, are subject to a number of assumptions and actual amounts may differ materially from estimates. In addition, the Company may incur other charges or cash expenditures not currently contemplated due to unanticipated events that may occur.

### Trading Plans

During the three months ended June 30, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as such term is defined in Item 408(a) of Regulation S-K.

**Item 6. Exhibits.**

2.1	<a href="#"><u>Agreement and Plan of Merger, dated August 7, 2024 among Gula Buyer Inc., Gula Merger Sub Inc. and PetIQ, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 7, 2024).</u></a>
3.1	<a href="#"><u>Second Amended and Restated Certificate of Incorporation of PetIQ, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 23, 2022).</u></a>
3.2	<a href="#"><u>Amended and Restated Bylaws of PetIQ, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 31, 2022).</u></a>
10.1+	<a href="#"><u>PetIQ, Inc. 2024 Omnibus Incentive Plan</u></a>
10.2+	<a href="#"><u>Second Amended and Restated Executive Employment Agreement, dated August 7, 2024, by and between PetIQ, Inc. and McCord Christensen (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 7, 2024).</u></a>
31.1*	<a href="#"><u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
31.2*	<a href="#"><u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
32.1**	<a href="#"><u>Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
32.2**	<a href="#"><u>Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
104*	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.)

\* Filed herewith

\*\* Furnished herewith

+ Indicates management contract or compensatory plan

**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.

August 8, 2024

**PETIQ, INC.**

/s/ Zvi Glasman

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Zvi Glasman

Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)

PETIQ, INC.

2024 OMNIBUS INCENTIVE PLAN

Section 1. General.

The name of the Plan is the PetIQ, Inc. 2024 Omnibus Incentive Plan (the “Plan”). The Plan intends to: (i) encourage the profitability and growth of the Company through short-term and long-term incentives that are consistent with the Company’s objectives; (ii) give Participants an incentive for excellence in individual performance; (iii) promote teamwork among Participants; and (iv) give the Company a significant advantage in attracting and retaining key Employees, Directors and Consultants. To accomplish such purposes, the Plan provides that the Company may grant Options, Stock Appreciation Rights, Restricted Shares, Restricted Stock Units, Performance-Based Awards (including performance-based Restricted Shares and Restricted Stock Units), Other Stock-Based Awards, Other Cash-Based Awards or any combination of the foregoing.

Section 2. Definitions.

For purposes of the Plan, the following terms shall be defined as set forth below:

(a) “*Administrator*” means the Board, or, if and to the extent the Board does not administer the Plan, the Committee appointed by the Board to administer the Plan in accordance with Section 3 of the Plan.

(b) “*Affiliate*” means a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Person specified. An entity shall be deemed an Affiliate of the Company for purposes of this definition only for such periods as the requisite ownership or control relationship is maintained.

(c) “*Approval Date*” means the date on which the Plan is approved by the Company’s stockholders.

(d) “*Articles of Incorporation*” means the articles of incorporation of the Company, as may be amended and/or restated from time to time.

(e) “*Automatic Exercise Date*” means, with respect to an Option or a Stock Appreciation Right, the last business day of the applicable term of the Option pursuant to Section 7(d) or the Stock Appreciation Right pursuant to Section 8(g).

(f) “*Award*” means any Option, Stock Appreciation Right, Restricted Share, Restricted Stock Unit, Performance-Based Award, Other Stock-Based Award or Other Cash-Based Award granted under the Plan.

(g) “*Award Agreement*” means any agreement, contract or other instrument or document evidencing an Award. Evidence of an Award may be in written or electronic form, may be limited to notation on the books and records of the Company and, with the approval of the Administrator, need not be signed by a representative of the Company or a Participant. Any Shares that become deliverable to the Participant pursuant to the Plan may be issued in certificate form in the name of the Participant or in book-entry form in the name of the Participant.

(h) “*Beneficial Owner*” (or any variant thereof) has the meaning defined in Rule 13d-3 under the Exchange Act.

(i) “*Board*” means the Board of Directors of the Company.

(j) “*Bylaws*” means the bylaws of the Company, as may be amended and/or restated from time to time.

(k) “*Cause*” shall have the meaning assigned to such term in any Company or Affiliate employment, severance, or similar agreement or Award Agreement with the Participant or, if no such agreement exists or the agreement does not define “*Cause*,” Cause means (i) any conduct, action or behavior by a Participant, whether or not in connection with the Participant’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, its Subsidiaries and Affiliates or which results in gain or personal enrichment of the Participant to the detriment of the Company, its Subsidiaries and Affiliates; (ii) a governmental authority, including, without limitation, the Environmental Protection Agency or the Food and Drug Administration, has prohibited the Participant from working or being affiliated with the Company, its Subsidiaries and Affiliates or the business conducted thereby; (iii) the commission of any act by the Participant of gross negligence or malfeasance, or any willful violation of law, in each case, in connection with the Participant’s performance of his or her duties with the Company or a Subsidiary or Affiliate thereof; (iv) performance of the Participant’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; (v) breach of the Participant’s duty of loyalty to the Company, its Subsidiaries and Affiliates; (vi) chronic absenteeism; (vii) substance abuse, illegal drug use or habitual insobriety; or (viii) violation of obligations of confidentiality to any third party in the course of providing services to the Company, its Subsidiaries and Affiliates.

(l) “*Change in Capitalization*” means any (i) merger, consolidation, reclassification, recapitalization, spin-off, spin-out, repurchase or other reorganization or corporate transaction or event, (ii) extraordinary dividend (whether in the form of cash, Common Stock or other property), stock split or reverse stock split, (iii) combination or exchange of shares, (iv) other change in corporate structure or (v) payment of any other distribution, which, in any such case, the Administrator determines, in its sole discretion, affects the Shares such that an adjustment pursuant to Section 5 of the Plan is appropriate.

(m) “*Change in Control*” shall be deemed to have occurred if an event set forth in any one of the following paragraphs shall have occurred following the Effective Date:

(i) any Person, other than (A) Eos Partners, L.P. and Eos Capital Partners IV, L.P., and their respective Affiliates and successors, or (B) the Company or a trustee or other fiduciary holding securities under an employee benefit plan of the Company, becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing more than thirty percent (30%) of the combined voting power of the Company’s then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (A) of paragraph (iii) below or any acquisition directly from the Company; or

(ii) the following individuals cease for any reason to constitute a majority of the number of Directors then serving on the Board: individuals who, during any period of two (2) consecutive years, constitute the Board and any new Director (other than a Director whose initial assumption of office is in connection with an actual or threatened election contest, including, but not limited to, a consent solicitation, relating to the election of Directors of the Company) whose appointment or election by the Board or nomination for election by the Company’s stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the Directors then still in office who either were Directors at the beginning of the two (2) year period or whose appointment, election or nomination for election was previously so approved or recommended; or

(iii) there is consummated a merger or consolidation of the Company or any Subsidiary thereof with any other corporation, other than a merger or consolidation (A) that results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of the Company (or such surviving entity or, if the Company or the entity surviving such merger is then a subsidiary, the ultimate parent thereof) outstanding immediately after such merger or consolidation, and (B) immediately following which the individuals who comprise the Board immediately prior thereto constitute at least a majority of the Board of the entity surviving such merger or consolidation or, if the Company or the entity surviving such merger is then a subsidiary, the ultimate parent thereof; or

(iv) the consummation of a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than (A) a sale or disposition by the Company of all or substantially all of the Company's assets to an entity, at least fifty percent (50%) of the combined voting power of the voting securities of which are owned directly or indirectly by stockholders of the Company following the completion of such transaction in substantially the same proportions as their ownership of the Company immediately prior to such sale or (B) a sale or disposition of all or substantially all of the Company's assets immediately following which the individuals who comprise the Board immediately prior thereto constitute at least a majority of the board of directors of the entity to which such assets are sold or disposed or, if such entity is a subsidiary, the ultimate parent thereof.

For each Award that constitutes deferred compensation under Code Section 409A, a Change in Control (where applicable) shall be deemed to have occurred under the Plan with respect to such Award only if a change in the ownership or effective control of the Company or a change in ownership of a substantial portion of the assets of the Company shall also constitute a "change in control event" under Code Section 409A.

Notwithstanding the foregoing, a "*Change in Control*" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the holders of Common Stock immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

(n) "*Change in Control Price*" shall have the meaning set forth in Section 12 of the Plan.

(o) "*Code*" means the Internal Revenue Code of 1986, as amended from time to time, or any successor thereto. Any reference in the Plan to any Section of the Code shall be deemed to include any regulations or other interpretative guidance under such Section, and any amendments or successor provisions to such Section, regulations or guidance.

(p) "*Committee*" means any committee or subcommittee the Board may appoint to administer the Plan. Subject to the discretion of the Board, the Committee shall be composed entirely of individuals who meet the qualifications of a "non-employee director" within the meaning of Rule 16b-3 under the Exchange Act and any other qualifications required by the applicable stock exchange on which the Common Stock is traded. If at any time or to any extent the Board shall not administer the Plan, then the functions of the Administrator specified in the Plan shall be exercised by the Committee. Except as otherwise provided in the Company's Articles of Incorporation or Bylaws, or any charter establishing the Committee, any action of the Committee with respect to the administration of the Plan shall be taken by a majority vote at a meeting at which a quorum is duly constituted or unanimous written consent of the Committee's members.



- (q) “*Common Stock*” means the Class A common stock, par value \$0.001 per share, of the Company.
- (r) “*Company*” means PetIQ, Inc., a Delaware corporation (or any successor corporation, except as the term “*Company*” is used in the definition of “*Change in Control*” above).
- (s) “*Consultant*” means any current or prospective consultant or independent contractor of the Company or an Affiliate thereof, in each case, who is not an Employee, Executive Officer or non-employee Director.
- (t) “*Director*” means any individual who is a member of the Board on or after the Effective Date.
- (u) “*Disability*” shall have the meaning assigned to such term in any individual employment, severance or similar agreement or Award Agreement with the Participant or, if no such agreement exists or the agreement does not define “*Disability*,” Disability means, with respect to any Participant, that such Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, receiving income replacement benefits for a period of not less than three (3) months under an accident and health plan covering Employees of the Company or an Affiliate thereof.
- (v) “*Effective Date*” shall have the meaning set forth in Section 19 of the Plan.
- (w) “*Eligible Recipient*” means: (i) an Employee; (ii) a non-employee Director; or (iii) a Consultant, in each case, who has been selected as an eligible recipient under the Plan by the Administrator. Notwithstanding the foregoing, to the extent required to avoid the imposition of additional taxes under Code Section 409A, “*Eligible Recipient*” means: an (1) Employee; (2) a non-employee Director; or (3) a Consultant, in each case, of the Company or a Subsidiary thereof, who has been selected as an eligible recipient under the Plan by the Administrator.
- (x) “*Employee*” shall mean any current or prospective employee of the Company or an Affiliate thereof, as described in Treasury Regulation Section 1.421-1(h), including an Executive Officer or Director who is also treated as an employee.
- (y) “*Exchange Act*” means the Securities Exchange Act of 1934, as amended from time to time.
- (z) “*Executive Officer*” means each Participant who is an executive officer (within the meaning of Rule 3b-7 under the Exchange Act) of the Company.
- (aa) “*Exercise Price*” means, with respect to any Award under which the holder may purchase Shares, the price per share at which a holder of such Award granted hereunder may purchase Shares issuable upon exercise of such Award.
- (ab) “*Fair Market Value*” as of a particular date shall mean: (i) if the Common Stock is admitted to trading on a national securities exchange, the fair market value of a Share on any date shall be the closing sale price reported for such share on such exchange on such date or, if no sale was reported on such date, on the last day preceding such date on which a sale was reported; (ii) if the Shares are not then listed on a national securities exchange, the average of the highest reported bid and lowest reported asked prices for the Shares as reported by the National Association of Securities Dealers, Inc. Automated Quotations System or such other quotation system for the last preceding date on which

there was a sale of such stock; or (iii) if the Shares are not then listed on a national securities exchange or traded in an over-the-counter market or the value of such Shares is not otherwise determinable, such value as determined by the Committee in good faith and in a manner not inconsistent with Code Section 409A.

(ac) “*Free Standing Rights*” shall have the meaning set forth in Section 8(a) of the Plan.

(ad) “*Incentive Stock Option*” means an Option that is intended to satisfy the requirements applicable to an “incentive stock option” described in Code Section 422.

(ae) “*Nonqualified Stock Option*” means an Option that is not intended to be an Incentive Stock Option.

(af) “*Option*” means an option to purchase Shares granted pursuant to Section 7 of the Plan.

(ag) “*Original Effective Date*” shall have the meaning set forth in Section 19 of the Plan.

(ah) “*Other Cash-Based Award*” means a cash Award granted to a Participant under Section 11 of the Plan, including cash awarded as a bonus or upon the attainment of Performance Goals or otherwise as permitted under the Plan.

(ai) “*Other Stock-Based Award*” means a right or other interest granted to a Participant under the Plan that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Common Stock, including, but not limited to, unrestricted Shares or dividend equivalents, each of which may be subject to the attainment of Performance Goals or a period of continued employment or other terms or conditions as permitted under the Plan.

(aj) “*Participant*” means any Eligible Recipient selected by the Administrator, pursuant to the Administrator’s authority provided for in Section 3 of the Plan, to receive grants of Options, Stock Appreciation Rights, Restricted Shares, Restricted Stock Units, Other Stock-Based Awards, Other Cash-Based Awards or any combination of the foregoing, and, upon his or her death, his or her successors, heirs, executors and administrators, as the case may be, solely with respect to any Awards outstanding at the date of the Eligible Recipient’s death.

(ak) “*Performance-Based Award*” means any Award granted under the Plan that is subject to one or more performance goals. Any dividends or dividend equivalents payable or credited to a Participant with respect to any unvested Performance-Based Award shall be subject to the same performance goals as the Shares or units underlying the Performance-Based Award.

(al) “*Performance Goals*” means performance goals based on one or more of the following criteria: (i) earnings before interest and taxes; (ii) earnings before interest, taxes, depreciation and amortization; (iii) net operating profit after tax; (iv) cash flow; (v) revenue; (vi) net revenues; (vii) sales; (viii) days sales outstanding; (ix) scrap rates; (x) income; (xi) net income; (xii) operating income; (xiii) net operating income; (xiv) operating margin; (xv) earnings; (xvi) earnings per share; (xvii) return on equity; (xviii) return on investment; (xix) return on capital; (xx) return on assets; (xxi) return on net assets; (xxii) total shareholder return; (xxiii) economic profit; (xxiv) market share; (xxv) appreciation in the fair market value, book value or other measure of value of the Company’s Common Stock; (xxvi) expense or cost control; (xxvii) working capital; (xxviii) volume or production; (xxix) new products; (xxx) customer satisfaction; (xxxi) brand development; (xxxii) employee retention or employee turnover; (xxxiii) employee satisfaction or engagement; (xxxiv) environmental, health or other safety goals; (xxxv) individual performance; (xxxvi) strategic objective milestones; (xxxvii) days inventory outstanding; (xxxviii) any other criteria specified by the Administrator in its sole discretion; and (xxxix) any combination of, or as applicable, a specified increase or decrease in, any of the foregoing. Where applicable, the Performance Goals may be expressed in terms of attaining a specified level of the particular criteria or the attainment of

a percentage increase or decrease in the particular criteria, and may be applied to one or more of the Company or an Affiliate thereof, or a division or strategic business unit of the Company, or may be applied to the performance of the Company relative to a market index, a group of other companies or a combination thereof, all as determined by the Committee. The Performance Goals may include a threshold level of performance below which no payment shall be made (or no vesting shall occur), levels of performance at which specified payments shall be made (or specified vesting shall occur), and a maximum level of performance above which no additional payment shall be made (or at which full vesting shall occur). Such definitions may provide for equitable adjustments to the Performance Goals in recognition of unusual or non-recurring events affecting the Company or an Affiliate thereof or the financial statements of the Company or an Affiliate thereof, in response to changes in applicable laws or regulations, or to account for items of gain, loss or expense determined to be unusual in nature, infrequent in occurrence or unusual in nature and infrequent in occurrence or related to the disposal of a segment of a business or related to a change in accounting principles.

(am) “*Person*” shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (i) the Company or any Subsidiary thereof, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary thereof, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(an) “*Related Rights*” shall have the meaning set forth in Section 8(a) of the Plan.

(ao) “*Restricted Period*” means the period of time determined by the Administrator during which an Award or a portion thereof is subject to restrictions or, as applicable, the period of time within which performance is measured for purposes of determining whether an Award has been earned.

(ap) “*Restricted Shares*” means an Award of Shares granted pursuant to Section 9 of the Plan subject to certain restrictions that lapse at the end of a specified period or periods.

(aq) “*Restricted Stock Unit*” means a notional account established pursuant to an Award granted to a Participant, as described in Section 10 of the Plan, that is (i) valued solely by reference to Shares, (ii) subject to restrictions specified in the Award Agreement, and (iii) payable in cash or in Shares (as specified in the Award Agreement). The Restricted Stock Units awarded to the Participant will vest according to the time-based criteria or performance goals criteria specified in the Award Agreement.

(ar) “*Retirement*” means a termination of a Participant's employment, other than for Cause and other than by reason of death or Disability, on or after the attainment of age 65.

(as) “*Returning Shares*” shall have the meaning set forth in Section 4(c) of the Plan.

(at) “*Rule 16b-3*” shall have the meaning set forth in Section 3(a) of the Plan.

(au) “*Securities Act*” means the Securities Act of 1933, as amended from time to time.

(av) “*Shares*” means shares of Common Stock reserved for issuance under the Plan, as adjusted pursuant to the Plan, and any successor (pursuant to a merger, consolidation or other reorganization) security.

(aw) “*Stock Appreciation Right*” means the right pursuant to an Award granted under Section 8 of the Plan to receive an amount equal to the excess, if any, of (i) the aggregate Fair Market Value, as of the date such Award or portion thereof is surrendered, of the Shares covered by such Award or such portion thereof, over (ii) the aggregate Exercise Price of such Award or such portion thereof.

(ax) “*Subsidiary*” means, with respect to any Person, as of any date of determination, any other Person as to which such first Person owns or otherwise controls, directly or indirectly, more than fifty percent (50%) of the voting shares or other similar interests or a sole general partner interest or managing member or similar interest of such other Person. An entity shall be deemed a Subsidiary of the Company for purposes of this definition only for such periods as the requisite ownership or control relationship is maintained. Notwithstanding the foregoing, in the case of an Incentive Stock Option or any determination relating to an Incentive Stock Option, “*Subsidiary*” means a corporation that is a subsidiary of the Company within the meaning of Code Section 424(f).

(ay) “*Substitute Award*” shall mean an Award granted under the Plan upon the assumption of, or in substitution for, outstanding equity awards granted by a company or other entity in connection with a corporate transaction, such as a merger, combination, consolidation, or acquisition of property or stock; provided, however, that in no event shall the term “*Substitute Award*” be construed to refer to an award made in connection with the cancellation and repricing of an Option or Stock Appreciation Right.

### Section 3. Administration.

(a) The Plan shall be administered by the Administrator and shall be administered in accordance with the requirements of Rule 16b-3 under the Exchange Act (“*Rule 16b-3*”), to the extent applicable.

(b) Pursuant to the terms of the Plan, the Administrator, subject, in the case of any Committee, to any restrictions on the authority delegated to it by the Board, shall have the power and authority, without limitation:

(i) to select those Eligible Recipients who shall be Participants;

(ii) to determine whether and to what extent Options, Stock Appreciation Rights, Restricted Shares, Restricted Stock Units, Other Stock-Based Awards, Other Cash-Based Awards or a combination of any of the foregoing, are to be granted hereunder to Participants;

(iii) to determine the number of Shares to be covered by each Award granted hereunder;

(iv) to determine the terms and conditions, not inconsistent with the terms of the Plan (including Section 4(f)), of each Award granted hereunder, including, but not limited to, (A) the restrictions applicable to Restricted Shares and Restricted Stock Units and the conditions under which restrictions applicable to such Restricted Shares and Restricted Stock Units shall lapse, (B) the Performance Goals and periods applicable to Awards, if any, (C) the Exercise Price of each Award, (D) the vesting schedule applicable to each Award, (E) the number of Shares subject to each Award and (F) subject to the requirements of Code Section 409A (to the extent applicable), any amendments to the terms and conditions of outstanding Awards, including, but not limited to, extending the exercise period of such Awards and accelerating the vesting schedule of such Awards;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, which shall govern all written instruments evidencing Options, Stock Appreciation Rights, Restricted Shares, Restricted Stock Units or Other Stock-Based Awards, Other Cash-Based Awards or any combination of the foregoing granted hereunder;

(vi) to determine the Fair Market Value;

(vii) to determine the duration and purpose of leaves of absence which may be granted to a Participant without constituting termination of the Participant’s employment for purposes of Awards granted under the Plan;

(viii) to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall from time to time deem advisable;

(ix) to reconcile any inconsistency in, correct any defect in and/or supply any omission in the Plan, any Award Agreement or other instrument or agreement relating to the Plan or an Award granted under the Plan; and

(x) to construe and interpret the terms and provisions of the Plan and any Award issued under the Plan (and any Award Agreement relating thereto), and to otherwise supervise the administration of the Plan and to exercise all powers and authorities either specifically granted under the Plan or necessary and advisable in the administration of the Plan.

(c) All decisions made by the Administrator pursuant to the provisions of the Plan shall be final, conclusive and binding on all persons, including the Company and the Participants. No member of the Board or the Committee, or any officer or employee of the Company or any Subsidiary thereof acting on behalf of the Board or the Committee, shall be personally liable for any action, omission, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Board or the Committee and each and any officer or employee of the Company and of any Subsidiary thereof acting on their behalf shall, to the maximum extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, omission, determination or interpretation.

(d) The Board or the Committee may delegate to one or more persons or bodies the authority to do one or more of the following to the extent permitted by applicable law: (i) designate recipients, other than Executive Officers, of Awards, provided that no person or body may be delegated authority to grant an Award to themselves; (ii) determine the number of Shares subject to such Awards; and (iii) determine the terms of such Awards; provided, however, that the Board or Committee action regarding such delegation will fix the terms of such delegation in accordance with applicable law, including without limitation Section s 152 and 157 of the Delaware General Corporation Law. Unless provided otherwise in the Board or Committee action regarding such delegation, each Award granted pursuant to this Section 3(d) will be granted on the applicable form of Award Agreement most recently approved for use by the Board or the Committee, with any modifications necessary to incorporate or reflect the terms of such Award. Notwithstanding anything to the contrary herein, neither the Board nor any Committee may delegate to any person or body (who is not a non-employee Director or that is not comprised solely of non-employee Directors, respectively) the authority to determine the Fair Market Value of the Shares.

#### Section 4. Shares Reserved for Issuance Under the Plan.

(a) Subject to Section 5 of the Plan, the number of Shares that are reserved and available for issuance pursuant to Awards granted under the Plan is equal to the sum of (i) 900,000 Shares, (ii) the number of Shares authorized and approved for issuance, but not awarded, under the Plan prior to the Effective Date, and (iii) the number of Returning Shares, if any, as such Shares become available from time to time. The maximum number of Shares that may be issued pursuant to Options intended to be Incentive Stock Options is 1,457,000. For clarity, the share reserve set forth in this Section 4(a) is a limit on the number of Shares that may be issued pursuant to Awards and does not limit the granting of Awards, except that the Company will keep available at all times the number of Shares reasonably required to satisfy its obligations to issue Shares pursuant to such Awards.

(b) The maximum number of Shares subject to Awards granted during any fiscal year to any non-employee Director, when taken together with any cash fees paid to such non-employee Director during the fiscal year in respect of his or her service as a Director, shall not exceed \$750,000 in total value, or in the event such non-employee director is first appointed or elected to the Board during such fiscal year, \$1,000,000 in total value (calculating the value of any such Awards based on the grant date Fair Market Value of such Awards for financial reporting purposes).

(c) Shares issued under the Plan may, in whole or in part, be authorized but unissued Shares or Shares that shall have been or may be reacquired by the Company in the open market, in private transactions or otherwise. Any Shares subject to an Award under the Plan that, after the Original Effective Date, are forfeited, canceled, settled or otherwise terminated without a distribution of Shares to a Participant will thereafter be deemed to be available for Awards (“*Returning Shares*”). In applying the immediately preceding sentence, if (i) Shares otherwise issuable or issued in respect of, or as part of, any Award are withheld to cover taxes, such Shares shall be treated as having been issued under the Plan and shall not again be available for issuance under the Plan as Returning Shares, (ii) Shares otherwise issuable or issued in respect of, or as part of, any Award of Options or Stock Appreciation Rights are withheld to cover the Exercise Price, such Shares shall be treated as having been issued under the Plan and shall not be available for issuance under the Plan as Returning Shares, and (iii) any Stock-settled Stock Appreciation Rights are exercised, the aggregate number of Shares subject to such Stock Appreciation Rights shall be deemed issued under the Plan and shall not be available for issuance under the Plan as Returning Shares.

(d) Substitute Awards shall not reduce the Shares authorized for grant under the Plan. In the event that a company acquired by the Company or any Affiliate or with which the Company or any Affiliate combines has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Shares authorized for grant under the Plan; provided that Awards using such available Shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not employed by or providing services to the Company or its Affiliates immediately prior to such acquisition or combination.

(e) In the event that the Company or an Affiliate consummates a transaction described in Code Section 424(a) (e.g., the acquisition of property or stock from an unrelated corporation), persons who become Employees or Directors on account of such transaction may be granted Substitute Awards in substitution for awards granted by their former employer, and any such substitute Options or Stock Appreciation Rights may be granted with an Exercise Price less than the Fair Market Value of a Share on the grant date thereof; provided, however, the grant of such substitute Option or Stock Appreciation Right shall not constitute a “modification” as defined in Code Section 424(h)(3) and the applicable Treasury regulations.

(f) Except in the case of Substitute Awards granted pursuant to Section 4(d), the delivery of Shares in lieu of fully vested cash-based obligations and subject to the following sentence, Awards granted under the Plan shall be subject to a minimum vesting period of one (1) year. Notwithstanding the foregoing, (i) the Administrator may provide in an Award Agreement that the vesting of an Award shall accelerate in the event of the Participant’s death, Disability, or Retirement (which defined term, solely for the purposes of this Section 4(f), shall include a termination of a Participant’s employment, other than for Cause and other than by reason of death or Disability, on or after the attainment of age 55 and 10 years of continuous service), or in connection with or following a Change in Control and (ii) the Administrator may grant Awards covering five percent (5%) or fewer of the total number of Shares authorized under the Plan without respect to the above-described minimum vesting requirement. Notwithstanding the foregoing, with respect to Awards to Directors, the vesting of such Awards will be deemed to satisfy the one (1) year minimum vesting requirement to the extent that the Awards vest on the earlier of the one (1) year anniversary of the date of grant and the next annual meeting of the Company’s stockholders that is at least fifty (50) weeks after the immediately preceding year’s annual meeting.

## Section 5. Equitable Adjustments.

In the event of any Change in Capitalization, an equitable substitution or proportionate adjustment shall be made, in each case, as may be determined by the Administrator, in its sole discretion, in (i) the aggregate number of Shares reserved for issuance under the Plan, (ii) the kind, number and Exercise Price subject to outstanding Options and Stock Appreciation Rights granted under the Plan, provided, however, that any such substitution or adjustment with respect to Options and Stock Appreciation Rights shall occur in accordance with the requirements of Code Section 409A, and (iii) the kind, number and purchase price of Shares subject to outstanding Restricted Shares or Other Stock-Based Awards granted under the Plan, in each case as may be determined by the Administrator, in its sole discretion; provided, however, that any fractional Shares resulting from the adjustment shall be eliminated. Such other equitable substitutions or adjustments shall be made as may be determined by the Administrator, in its sole discretion. Without limiting the generality of the foregoing, in connection with a Change in Capitalization, the Administrator may provide, in its sole discretion, for the cancellation of any outstanding Award granted hereunder in exchange for payment in cash or other property having an aggregate Fair Market Value of the Shares covered by such Award, reduced by the aggregate Exercise Price or purchase price thereof, if any. Notwithstanding anything contained in the Plan to the contrary, any adjustment with respect to an Incentive Stock Option due to an adjustment or substitution described in this Section 5 shall comply with the rules of Code Section 424(a), and in no event shall any adjustment be made which would render any Incentive Stock Option granted hereunder to be disqualified as an incentive stock option for purposes of Code Section 422. The Administrator's determinations pursuant to this Section 5 shall be final, binding and conclusive.

## Section 6. Eligibility.

The Participants under the Plan shall be selected from time to time by the Administrator, in its sole discretion, from among Eligible Recipients.

## Section 7. Options.

(a) General. The Committee may, in its sole discretion, grant Options to Participants. Solely with respect to Participants who are Employees, the Committee may grant Incentive Stock Options, Nonqualified Stock Options or a combination of both. With respect to all other Participants, the Committee may grant only Nonqualified Stock Options. Each Participant who is granted an Option shall enter into an Award Agreement with the Company, containing such terms and conditions as the Administrator shall determine, in its sole discretion, which Award Agreement shall specify whether the Option is an Incentive Stock Option or a Nonqualified Stock Option and shall set forth, among other things, the Exercise Price of the Option, the term of the Option and provisions regarding exercisability of the Option granted thereunder. The provisions of each Option need not be the same with respect to each Participant. More than one Option may be granted to the same Participant and be outstanding concurrently hereunder. Options granted under the Plan shall be subject to the terms and conditions set forth in this Section 7 and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator shall deem desirable and set forth in the applicable Award Agreement. The prospective recipient of an Option shall not have any rights with respect to such Award, unless and until such recipient has received an Award Agreement and, if required by the Administrator in the Award Agreement, executed and delivered a fully executed copy thereof to the Company, within a period of sixty (60) days (or such other period as the Administrator may specify) after the award date.

(b) Limits on Incentive Stock Options. If the Administrator grants Incentive Stock Options, then to the extent that the aggregate fair market value of Shares with respect to which Incentive Stock Options are exercisable for the first time by any individual during any calendar year (under all plans of the Company) exceeds \$100,000, such Options will be treated as Nonqualified Stock Options to the extent required by Code Section 422.

(c) Exercise Price. The Exercise Price of Shares purchasable under an Option shall be determined by the Administrator in its sole discretion at the time of grant; provided, however, that (i) in no event shall the Exercise Price of an Option be less than one hundred percent (100%) of the Fair Market Value of the Common Stock on the date of grant, and (ii) no Incentive Stock Option granted to a ten percent (10%) stockholder of the Company's Common Stock (within the meaning of Code Section 422(b)(6)) shall have an exercise price per share less than one-hundred ten percent (110%) of the Fair Market Value of a Share on such date.

(d) Option Term. The maximum term of each Option shall be fixed by the Administrator, but in no event shall (i) an Option be exercisable more than ten (10) years after the date such Option is granted, and (ii) an Incentive Stock Option granted to a ten percent (10%) stockholder of the Company's Common Stock (within the meaning of Code Section 422(b)(6)) be exercisable more than five (5) years after the date such Option is granted. Each Option's term is subject to earlier expiration pursuant to the applicable provisions in the Plan and the Award Agreement. Notwithstanding the foregoing, the Administrator shall have the authority to accelerate the exercisability of any outstanding Option at such time and under such circumstances as the Administrator, in its sole discretion, deems appropriate. Notwithstanding any contrary provision herein, if, on the date an outstanding Option would expire, the exercise of the Option, including by a "net exercise" or "cashless" exercise, would violate applicable securities laws or any insider trading policy maintained by the Company from time to time, the expiration date applicable to the Option will be extended, except to the extent such extension would violate Section 409A, to a date that is thirty (30) calendar days after the date the exercise of the Option would no longer violate applicable securities laws or any such insider trading policy.

(e) Exercisability. Each Option shall be exercisable at such time or times and subject to such terms and conditions, including the attainment of pre-established Performance Goals, as shall be determined by the Administrator in the applicable Award Agreement. The Administrator may also provide that any Option shall be exercisable only in installments, and the Administrator may waive such installment exercise provisions at any time, in whole or in part, based on such factors as the Administrator may determine in its sole discretion. Notwithstanding anything to the contrary contained herein, an Option may not be exercised for a fraction of a share.

(f) Method of Exercise. Options may be exercised in whole or in part by giving written notice of exercise to the Company specifying the number of Shares to be purchased, accompanied by payment in full of the aggregate Exercise Price of the Shares so purchased in cash or its equivalent, as determined by the Administrator. As determined by the Administrator, in its sole discretion, with respect to any Option or category of Options, payment in whole or in part may also be made (i) by means of consideration received under any cashless exercise procedure approved by the Administrator (including the withholding of Shares otherwise issuable upon exercise), (ii) in the form of unrestricted Shares already owned by the Participant which have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Shares as to which such Option shall be exercised, (iii) any other form of consideration approved by the Administrator and permitted by applicable law or (iv) any combination of the foregoing. In determining which methods a Participant may utilize to pay the Exercise Price, the Administrator may consider such factors as it determines are appropriate; provided, however, that with respect to Incentive Stock Options, all such discretionary determinations shall be made by the Administrator at the time of grant and specified in the Award Agreement.

(g) Rights as Stockholder. A Participant shall have no rights to dividends or any other rights of a stockholder with respect to the Shares subject to an Option until the Participant has given written notice of the exercise thereof, has paid in full for such Shares and has satisfied the requirements of Section 15 of the Plan and the Shares have been issued to the Participant.

(h) Termination of Employment or Service.



(i) Unless the applicable Award Agreement provides otherwise, in the event that the employment or service of a Participant with the Company and all Affiliates thereof shall terminate for any reason other than Cause, Retirement, Disability, or death, (A) Options granted to such Participant, to the extent that they are exercisable at the time of such termination, shall remain exercisable until the date that is ninety (90) days after such termination, on which date they shall expire, and (B) Options granted to such Participant, to the extent that they were not exercisable at the time of such termination, shall expire at the close of business on the date of such termination. The ninety (90) day period described in this Section 7(h)(i) shall be extended to one (1) year after the date of such termination in the event of the Participant's death during such ninety (90) day period. Notwithstanding the foregoing, no Option shall be exercisable after the expiration of its term.

(i) Unless the applicable Award Agreement provides otherwise, in the event that the employment or service of a Participant with the Company and all Affiliates thereof shall terminate on account of Retirement, Disability or the death of the Participant, (A) Options granted to such Participant, to the extent that they were exercisable at the time of such termination, shall remain exercisable until the date that is one (1) year after such termination, on which date they shall expire and (B) Options granted to such Participant, to the extent that they were not exercisable at the time of such termination, shall expire at the close of business on the date of such termination. Notwithstanding the foregoing, no Option shall be exercisable after the expiration of its term.

(ii) In the event of the termination of a Participant's employment or service for Cause, all outstanding Options granted to such Participant shall expire at the commencement of business on the date of such termination.

(iii) For purposes of this Section 7(h), Options that are not exercisable solely due to a blackout period shall be considered exercisable.

(iv) Other Change in Employment Status. An Option may be affected, both with regard to vesting schedule and termination, by leaves of absence, changes from full-time to part-time employment, partial disability or other changes in the employment status or service of a Participant, as evidenced in a Participant's Award Agreement.

(j) Change in Control. Notwithstanding anything herein to the contrary, upon a Change in Control, all outstanding Options shall be subject to Section 12 of the Plan.

(k) Automatic Exercise. Unless otherwise provided by the Administrator in an Award Agreement or otherwise, or as otherwise directed by the Participant in writing to the Company, each vested and exercisable Option outstanding on the Automatic Exercise Date with an Exercise Price per Share that is less than the Fair Market Value per Share as of such date shall automatically and without further action by the Participant or the Company be exercised on the Automatic Exercise Date. In the sole discretion of the Administrator, payment of the Exercise Price of any such Option shall be made pursuant to Section 7(f)(i) or (ii) and the Company or any Affiliate shall deduct or withhold an amount sufficient to satisfy all taxes associated with such exercise in accordance with Section 15. Unless otherwise determined by the Administrator, this Section 7(k) shall not apply to an Option if the Participant's employment or service has terminated on or before the Automatic Exercise Date. For the avoidance of doubt, no Option with an Exercise Price per Share that is equal to or greater the Fair Market Value per Share on the Automatic Exercise Date shall be exercised pursuant to this Section 7(k).

#### Section 8. Stock Appreciation Rights.

(a) General. Stock Appreciation Rights may be granted either alone ("*Free Standing Rights*") or in conjunction with all or part of any Option granted under the Plan ("*Related Rights*"). Related Rights may be granted either at or after the time of the grant of such Option. The Administrator shall determine the Eligible Recipients to whom, and the time or times at which, grants of Stock Appreciation Rights shall

be made, the number of Shares to be awarded, the price per Share, and all other conditions of Stock Appreciation Rights. Notwithstanding the foregoing, no Related Right may be granted for more Shares than are subject to the Option to which it relates and any Stock Appreciation Right must be granted with an Exercise Price not less than the Fair Market Value of Common Stock on the date of grant. The provisions of Stock Appreciation Rights need not be the same with respect to each Participant. Stock Appreciation Rights granted under the Plan shall be subject to the following terms and conditions set forth in this Section 8 and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Administrator shall deem desirable, as set forth in the applicable Award Agreement.

(b) Awards; Rights as Stockholder. The prospective recipient of a Stock Appreciation Right shall not have any rights with respect to such Award, unless and until such recipient has received an Award Agreement and, if required by the Administrator in the Award Agreement, executed and delivered a fully executed copy thereof to the Company, within a period of sixty (60) days (or such other period as the Administrator may specify) after the award date. Participants who are granted Stock Appreciation Rights shall have no rights as stockholders of the Company with respect to the grant or exercise of such rights.

(c) Exercisability.

(i) Stock Appreciation Rights that are Free Standing Rights shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Administrator in the applicable Award Agreement.

(ii) Stock Appreciation Rights that are Related Rights shall be exercisable only at such time or times and to the extent that the Options to which they relate shall be exercisable in accordance with the provisions of Section 7 above and this Section 8 of the Plan.

(d) Payment Upon Exercise.

(i) Upon the exercise of a Free Standing Right, the Participant shall be entitled to receive up to, but not more than, that number of Shares, determined using the Fair Market Value, equal in value to the excess of the Fair Market Value as of the date of exercise over the price per share specified in the Free Standing Right multiplied by the number of Shares in respect of which the Free Standing Right is being exercised.

(ii) A Related Right may be exercised by a Participant by surrendering the applicable portion of the related Option. Upon such exercise and surrender, the Participant shall be entitled to receive up to, but not more than, that number of Shares, determined using the Fair Market Value, equal in value to the excess of the Fair Market Value as of the date of exercise over the Exercise Price specified in the related Option multiplied by the number of Shares in respect of which the Related Right is being exercised. Options which have been so surrendered, in whole or in part, shall no longer be exercisable to the extent the Related Rights have been so exercised.

(ii) Notwithstanding the foregoing, the Administrator may determine to settle the exercise of a Stock Appreciation Right in cash (or in any combination of Shares and cash).

(e) Rights as Stockholder. A Participant shall have no rights to dividends or any other rights of a stockholder with respect to the Shares subject to a Stock Appreciation Right or Option until the Participant has given written notice of the exercise thereof, has satisfied the requirements of Section 15 of the Plan and the Shares have been issued to the Participant.

(f) Termination of Employment or Service.

(i) In the event of the termination of employment or service with the Company and all Affiliates thereof of a Participant who has been granted one or more Free Standing Rights, such rights

shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Administrator in the applicable Award Agreement.

(ii) In the event of the termination of employment or service with the Company and all Affiliates thereof of a Participant who has been granted one or more Related Rights, such rights shall be exercisable at such time or times and subject to such terms and conditions as set forth in the related Options.

(g) Term.

(i) The term of each Free Standing Right shall be fixed by the Administrator, but no Free Standing Right shall be exercisable more than ten (10) years after the date such right is granted.

(ii) The term of each Related Right shall be the term of the Option to which it relates, but no Related Right shall be exercisable more than ten (10) years after the date such right is granted.

(h) Change in Control. Notwithstanding anything herein to the contrary, upon a Change in Control, all outstanding Stock Appreciation Rights shall be subject to Section 12 of the Plan.

(i) Automatic Exercise. Unless otherwise provided by the Administrator in an Award Agreement or otherwise, or as otherwise directed by the Participant in writing to the Company, each vested and exercisable Stock Appreciation Right outstanding on the Automatic Exercise Date with an Exercise Price per Share that is less than the Fair Market Value per Share as of such date shall automatically and without further action by the Participant or the Company be exercised on the Automatic Exercise Date. The Company or any Affiliate shall deduct or withhold an amount sufficient to satisfy all taxes associated with such exercise in accordance with Section 15. Unless otherwise determined by the Administrator, this Section 8(i) shall not apply to a Stock Appreciation Right if the Participant's employment or service has terminated on or before the Automatic Exercise Date. For the avoidance of doubt, no Stock Appreciation Right with an Exercise Price per Share that is equal to or greater the Fair Market Value per Share on the Automatic Exercise Date shall be exercised pursuant to this Section 8(i).

Section 9. Restricted Shares.

(a) General. Restricted Shares may be issued either alone or in addition to other Awards granted under the Plan. The Administrator shall determine the Eligible Recipients to whom, and the time or times at which, grants of Restricted Shares shall be made; the number of Shares to be awarded; the price, if any, to be paid by the Participant for the acquisition of Restricted Shares; the Restricted Period, if any, applicable to Restricted Shares; the Performance Goals (if any) applicable to Restricted Shares; and all other conditions of the Restricted Shares. If the restrictions, Performance Goals and/or conditions established by the Administrator are not attained, a Participant shall forfeit his or her Restricted Shares in accordance with the terms of the grant. The provisions of the Restricted Shares need not be the same with respect to each Participant.

(b) Awards and Certificates. The prospective recipient of Restricted Shares shall not have any rights with respect to any such Award, unless and until such recipient has received an Award Agreement and, if required by the Administrator in the Award Agreement, executed and delivered a fully executed copy thereof to the Company, within a period of sixty (60) days (or such other period as the Administrator may specify) after the award date. Except as otherwise provided in Section 9(c) of the Plan, (i) each Participant who is granted an award of Restricted Shares may, in the Company's sole discretion, be issued a stock certificate in respect of such Restricted Shares; and (ii) any such certificate so issued shall be registered in the name of the Participant, and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to any such Award.

The Company may require that the stock certificates, if any, evidencing Restricted Shares granted hereunder be held in the custody of the Company until the restrictions thereon shall have lapsed, and that, as a condition of any award of Restricted Shares, the Participant shall have delivered a stock power, endorsed in blank, relating to the Shares covered by such Award.

Notwithstanding anything in the Plan to the contrary, any Restricted Shares (whether before or after any vesting conditions have been satisfied) may, in the Company's sole discretion, be issued in uncertificated form pursuant to the customary arrangements for issuing shares in such form.

(c) **Restrictions and Conditions.** The Restricted Shares granted pursuant to this Section 9 shall be subject to the following restrictions and conditions and any additional restrictions or conditions as determined by the Administrator at the time of grant or thereafter:

(i) The Administrator may, in its sole discretion, provide for the lapse of restrictions in installments and may accelerate or waive such restrictions in whole or in part based on such factors and such circumstances as the Administrator may determine, in its sole discretion, including, but not limited to, the attainment of certain Performance Goals, the Participant's termination of employment or service as a non-employee Director or Consultant of the Company or an Affiliate thereof, or the Participant's death or Disability.

(ii) Except as provided in Section 16 of the Plan or in the Award Agreement, the Participant shall generally have the rights of a stockholder of the Company with respect to Restricted Shares during the Restricted Period. In the Administrator's discretion and as provided in the applicable Award Agreement, a Participant may be entitled to dividends or dividend equivalents on an Award of Restricted Shares, which will be payable in accordance with the terms of such grant as determined by the Administrator. Notwithstanding the foregoing, no dividends or dividend equivalents will be paid on unvested Awards of Restricted Shares during the Restricted Period; provided, however, that to the extent that any such Awards contain the right to receive dividends or dividends equivalents during the Restricted Period, such dividends or dividend equivalents will be accumulated and paid once (and to the extent that) the underlying Awards vest. Certificates for Shares of unrestricted Common Stock may, in the Company's sole discretion, be delivered to the Participant only after the Restricted Period has expired without forfeiture in respect of such Restricted Shares, except as the Administrator, in its sole discretion, shall otherwise determine.

(iii) The rights of Participants granted Restricted Shares upon termination of employment or service as a non-employee Director or Consultant of the Company or an Affiliate thereof terminates for any reason during the Restricted Period shall be set forth in the Award Agreement.

(d) **Change in Control.** Notwithstanding anything herein to the contrary, upon a Change in Control, all outstanding Restricted Shares shall be subject to Section 12 of the Plan.

#### Section 10. Restricted Stock Units.

(a) **General.** Restricted Stock Units may be issued either alone or in addition to other Awards granted under the Plan. The Administrator shall determine the Eligible Recipients to whom, and the time or times at which, grants of Restricted Stock Units shall be made; the number of Restricted Stock Units to be awarded; the Restricted Period, if any, applicable to Restricted Stock Units; the Performance Goals (if any) applicable to Restricted Stock Units; and all other conditions of the Restricted Stock Units. If the restrictions, Performance Goals and/or conditions established by the Administrator are not attained, a Participant shall forfeit his or her Restricted Stock Units in accordance with the terms of the grant. The provisions of Restricted Stock Units need not be the same with respect to each Participant.

(b) **Award Agreement.** The prospective recipient of Restricted Stock Units shall not have any rights with respect to any such Award, unless and until such recipient has received an Award Agreement and, if required by the Administrator in the Award Agreement, executed and delivered a fully executed

copy thereof to the Company, within a period of sixty (60) days (or such other period as the Administrator may specify) after the award date.

(c) **Restrictions and Conditions.** The Restricted Stock Units granted pursuant to this Section 10 shall be subject to the following restrictions and conditions and any additional restrictions or conditions as determined by the Administrator at the time of grant or, subject to Code Section 409A, thereafter:

(i) The Administrator may, in its sole discretion, provide for the lapse of restrictions in installments and may accelerate or waive such restrictions in whole or in part based on such factors and such circumstances as the Administrator may determine, in its sole discretion, including, but not limited to, the attainment of certain Performance Goals, the Participant's termination of employment or service as a non-employee Director or Consultant of the Company or an Affiliate thereof, or the Participant's death or Disability.

(ii) Participants holding Restricted Stock Units shall have no voting rights. A Restricted Stock Unit may, at the Administrator's discretion, carry with it a right to dividend equivalents. Such right would entitle the holder to be credited with an amount equal to all cash dividends paid on one Share while the Restricted Stock Unit is outstanding. The Administrator, in its discretion, may grant dividend equivalents from the date of grant or only after a Restricted Stock Unit is vested. Notwithstanding the foregoing, no dividend equivalents will be paid on unvested Awards of Restricted Stock Units during the Restricted Period; provided, however, that to the extent that any such Awards contain the right to receive dividends equivalents during the Restricted Period, such dividend equivalents will be accumulated and paid once (and to the extent that) the underlying Awards vest.

(iii) The rights of Participants granted Restricted Stock Units upon termination of employment or service as a non-employee Director or Consultant of the Company or an Affiliate thereof terminates for any reason during the Restricted Period shall be set forth in the Award Agreement.

(d) **Settlement of Restricted Stock Units.** Settlement of vested Restricted Stock Units shall be made to Participants in the form of Shares, unless the Administrator, in its sole discretion, provides for the payment of the Restricted Stock Units in cash (or partly in cash and partly in Shares) equal to the Fair Market Value of the Shares that would otherwise be distributed to the Participant.

(e) **Rights as Stockholder.** Except as provided in the Award Agreement in accordance with Section 10(c)(ii), a Participant shall have no rights to dividends or any other rights of a stockholder with respect to the Shares subject to Restricted Stock Units until the Participant has satisfied all conditions of the Award Agreement and the requirements of Section 15 of the Plan and the Shares have been issued to the Participant.

(f) **Change in Control.** Notwithstanding anything herein to the contrary, upon a Change in Control, all outstanding Restricted Stock Units shall be subject to Section 12 of the Plan.

#### Section 11. Other Stock-Based or Cash-Based Awards.

(a) The Administrator is authorized to grant Awards to Participants in the form of Other Stock-Based Awards or Other Cash-Based Awards, as deemed by the Administrator to be consistent with the purposes of the Plan and as evidenced by an Award Agreement. The Administrator shall determine the terms and conditions of such Awards, consistent with the terms of the Plan, at the date of grant or thereafter, including any Performance Goals and performance periods. Common Stock or other securities or property delivered pursuant to an Award in the nature of a purchase right granted under this Section 11 shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, Shares, other Awards, notes or other property, as the Administrator shall determine, subject to any required corporate action.

(b) The prospective recipient of an Other Stock-Based Award or Other Cash-Based Award shall not have any rights with respect to such Award, unless and until such recipient has received an Award Agreement and, if required by the Administrator in the Award Agreement, executed and delivered a fully executed copy thereof to the Company, within a period of sixty (60) days (or such other period as the Administrator may specify) after the award date.

(c) Notwithstanding anything herein to the contrary, upon a Change in Control, all outstanding Other Stock-Based Awards and Other Cash-Based Awards shall be subject to Section 12 of the Plan.

#### Section 12. Change in Control.

(a) Subject to Section 4(f) of the Plan, the Administrator may provide in the applicable Award Agreement that an Award will vest on an accelerated basis upon the Participant's termination of employment or service in connection with a Change in Control or upon the occurrence of any other event that the Administrator may set forth in the Award Agreement. If the Company is a party to an agreement that is reasonably likely to result in a Change in Control, such agreement may provide for: (i) the continuation of any Award by the Company, if the Company is the surviving entity; (ii) the assumption of any Award by the surviving entity or its parent or subsidiary; (iii) the substitution by the surviving entity or its parent or subsidiary of equivalent awards for any Award, provided, however, that any such substitution with respect to Options and Stock Appreciation Rights shall occur in accordance with the requirements of Code Section 409A; or (iv) settlement of any Award for the Change in Control Price (less, to the extent applicable, the per share exercise or grant price), or, if the per share exercise or grant price for an Option or Stock Appreciation Right equals or exceeds the Change in Control Price, such Award shall terminate and be canceled. To the extent that Restricted Shares, Restricted Stock Units or other Awards settle in Shares in accordance with their terms upon a Change in Control, such Shares shall be entitled to receive as a result of the Change in Control transaction the same consideration as the Shares held by stockholders of the Company as a result of the Change in Control transaction.

(b) To the extent a Change in Control occurs where the Company is either not party to an agreement or such agreement is silent on the treatment of outstanding Awards, then

(i) In the event of a Change in Control in which the Company is the surviving entity and any adjustments necessary to preserve the value of the Participants' outstanding Awards have been made, or the Company's successor at the time of the Change in Control irrevocably assumes the Company's obligations under the Plan or replaces each Participant's outstanding Award with an award of equal or greater value and having terms and conditions no less favorable to the Participant than those applicable to the Participant's Award immediately prior to the Change in Control, there will be no accelerated vesting of Participants' Awards on account of the Change in Control.

(ii) In the event of a Change in Control, unless the Company is the surviving entity and any adjustments necessary to preserve the value of Participants' outstanding Awards have been made, or the Company's successor at the time of the Change in Control irrevocably assumes the Company's obligations under the Plan or replaces each Participant's outstanding Award with an award of equal or greater value and having terms and conditions no less favorable to the Participant than those applicable to the Participant's Award immediately prior to the Change in Control: (A) all Awards with time-based vesting conditions or restrictions shall become fully vested (and Options or Stock Appreciation Rights exercisable) at the time of such Change in Control; and (B) all Performance-Based Awards and other Awards with respect to which the vesting or amount is based on the satisfaction or achievement of Performance Goals or other performance-based criteria, shall become earned and vested and the performance criteria shall be deemed to be achieved or fulfilled, at the greater of (1) the performance achieved (as determined by the Administrator) or (2) the target level of performance applicable to the Award, but prorated based on the elapsed proportion of the performance period as of the Change in Control. Notwithstanding the foregoing, if the per share exercise or grant price for an Option or Stock

Appreciation Right equals or exceeds the Change in Control Price, such Award shall terminate and be canceled.

(c) For purposes of this Section 12, "*Change in Control Price*" shall mean (i) the price per share of Common Stock paid to stockholders of the Company in the Change in Control transaction, or (ii) the Fair Market Value of a Share upon a Change in Control, as determined by the Administrator. To the extent that the consideration paid in any such Change in Control transaction consists all or in part of securities or other non-cash consideration, the value of such securities or other non-cash consideration shall be determined in good faith by the Administrator.

#### Section 13. Amendment and Termination.

(a) The Board or the Committee may amend, alter or terminate the Plan, but no amendment, alteration, or termination shall be made that would impair the rights of a Participant under any Award theretofore granted without such Participant's consent.

(b) Notwithstanding the foregoing, (i) approval of the Company's stockholders shall be obtained to increase the aggregate Share limit described in Section 4 and for any amendment that would require such approval in order to satisfy the rules of the stock exchange on which the Common Stock is traded or other applicable law, and (ii) without stockholder approval to the extent required by the rules of any applicable national securities exchange or inter-dealer quotation system on which the Shares are listed or quoted, except as otherwise permitted under Section 5 of the Plan, (A) no amendment or modification may reduce the Exercise Price of any Option or Stock Appreciation Right, (B) the Committee may not cancel any outstanding Option or Stock Appreciation Right and replace it with a new Option or Stock Appreciation Right, another Award or cash and (C) the Committee may not take any other action that is considered a "repricing" for purposes of the stockholder approval rules of the applicable securities exchange or inter-dealer quotation system.

(c) Subject to the terms and conditions of the Plan, the Administrator may modify, extend or renew outstanding Awards under the Plan, or accept the surrender of outstanding Awards (to the extent not already exercised) and grant new Awards in substitution of them (to the extent not already exercised).

(d) Notwithstanding the foregoing, no alteration, modification or termination of an Award will, without the prior written consent of the Participant, adversely alter or impair any rights or obligations under any Award already granted under the Plan.

#### Section 14. Unfunded Status of Plan.

The Plan is intended to constitute an "unfunded" plan for incentive compensation. With respect to any payments not yet made or Shares not yet transferred to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company.

#### Section 15. Withholding Taxes.

Each Participant shall, no later than the date as of which the value of an Award first becomes includible in the gross income of such Participant for federal, state and/or local income tax purposes, pay to the Company, or make arrangements satisfactory to the Administrator regarding payment of, any federal, state, or local taxes of any kind, domestic or foreign, required by law or regulation to be withheld with respect to the Award. The obligations of the Company under the Plan shall be conditional on the making of such payments or arrangements, and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to such Participant. Whenever cash is to be paid pursuant to an Award granted hereunder, the Company shall have the right to deduct therefrom an amount sufficient to satisfy any federal, state and local withholding tax

requirements related thereto. Whenever Shares are to be delivered pursuant to an Award, the Company shall have the right to require the Participant to remit to the Company in cash an amount sufficient to satisfy any related federal, state and local taxes, domestic or foreign, to be withheld and applied to the tax obligations. With the approval of the Administrator, a Participant may satisfy the foregoing requirement by electing to have the Company withhold from delivery of Shares or by delivering already owned unrestricted shares of Common Stock, in each case, having a value equal to the amount required to be withheld or such other greater amount up to the maximum statutory rate under applicable law, as applicable to such Participant, if such other greater amount would not result in adverse financial accounting treatment, as determined by the Administrator (including in connection with the effectiveness of FASB Accounting Standards Update 2016-09). Such Shares shall be valued at their Fair Market Value on the date of which the amount of tax to be withheld is determined. Fractional share amounts shall be settled in cash. Such an election may be made with respect to all or any portion of the Shares to be delivered pursuant to an Award. The Company may also use any other method of obtaining the necessary payment or proceeds, as permitted by law, to satisfy its withholding obligation with respect to any Option or other Award.

#### Section 16. Non-United States Employees.

Without amending the Plan, the Administrator may grant Awards to eligible persons residing in non-United States jurisdictions on such terms and conditions different from those specified in the Plan, including the terms of any award agreement or plan, adopted by the Company or any Subsidiary thereof to comply with, or take advantage of favorable tax or other treatment available under, the laws of any non-United States jurisdiction, as may in the judgment of the Administrator be necessary or desirable to foster and promote achievement of the purposes of the Plan and, in furtherance of such purposes the Administrator may make such modifications, amendments, procedures, subplans and the like as may be necessary or advisable to comply with provisions of laws in other countries or jurisdictions in which the Company or its Subsidiaries operates or has employees.

#### Section 17. Transfer of Awards.

No purported sale, assignment, mortgage, hypothecation, transfer, charge, pledge, encumbrance, gift, transfer in trust (voting or other) or other disposition of, or creation of a security interest in or lien on, any Award or any agreement or commitment to do any of the foregoing (each, a "*Transfer*") by any holder thereof in violation of the provisions of the Plan or an Award Agreement will be valid, except with the prior written consent of the Administrator, which consent may be granted or withheld in the sole discretion of the Administrator. Any purported Transfer of an Award or any economic benefit or interest therein in violation of the Plan or an Award Agreement shall be null and void ab initio, and shall not create any obligation or liability of the Company, and any person purportedly acquiring any Award or any economic benefit or interest therein transferred in violation of the Plan or an Award Agreement shall not be entitled to be recognized as a holder of such Shares. Unless otherwise determined by the Administrator in accordance with the provisions of the immediately preceding sentence, an Option may be exercised, during the lifetime of the Participant, only by the Participant or, during any period during which the Participant is under a legal disability, by the Participant's guardian or legal representative.

#### Section 18. Continued Employment.

The adoption of the Plan shall not confer upon any Eligible Recipient any right to continued employment or service with the Company or an Affiliate thereof, as the case may be, nor shall it interfere in any way with the right of the Company or an Affiliate thereof to terminate the employment or service of any of its Eligible Recipients at any time.



Section 19. Effective Date and Approval Date.

The Plan was originally effective as of July 20, 2017 (the "*Original Effective Date*") and was amended and restated as of May 29, 2019 and June 22, 2022. The Plan, as amended and restated hereby, will be effective as of June 7, 2024 (the "*Effective Date*"). The Plan will be unlimited in duration and, in the event of Plan termination, will remain in effect as long as any Shares awarded under it are outstanding and not fully vested; provided, however, that no Awards that are intended to be Incentive Stock Options will be made under the Plan on or after the tenth anniversary of the earlier of (a) the Effective Date, or (b) the date that the Plan, as amended and restated hereby, is approved by the Board or Committee. No Option that is intended to be an Incentive Stock Option may be granted under the Plan until the Approval Date. If the Approval Date does not occur within twelve (12) months after the Effective Date, then no Options that are intended to be Incentive Stock Options may be granted under the Plan.

Section 20. Code Section 409A.

The intent of the parties is that payments and benefits under the Plan comply with Code Section 409A to the extent subject thereto, and, accordingly, to the maximum extent permitted, the Plan shall be interpreted and be administered to be in compliance therewith. Any payments described in the Plan that are due within the "short-term deferral period" as defined in Code Section 409A shall not be treated as deferred compensation unless applicable law requires otherwise. Notwithstanding anything to the contrary in the Plan, to the extent required in order to avoid accelerated taxation and/or tax penalties under Code Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided upon a "separation from service" to a Participant who is a "specified employee" shall be paid on the first business day after the date that is six (6) months following the Participant's separation from service (or upon the Participant's death, if earlier). In addition, for purposes of the Plan, each amount to be paid or benefit to be provided to the Participant pursuant to the Plan, which constitute deferred compensation subject to Code Section 409A, shall be construed as a separate identified payment for purposes of Code Section 409A. Nothing contained in the Plan or an Award Agreement shall be construed as a guarantee of any particular tax effect with respect to an Award. The Company does not guarantee that any Awards provided under the Plan will satisfy the provisions of Code Section 409A, and in no event will the Company be liable for any or all portion of any taxes, penalties, interest or other expenses that may be incurred by a Participant on account of any non-compliance with Code Section 409A.

Section 21. Change in Time Commitment.

In the event that a Participant's regular level of time commitment in the performance of his or her services for the Company and any Affiliates is reduced (for example, and without limitation, if the Participant is an Employee of the Company and the Employee has a change in status from a full-time Employee to a part-time Employee or takes an extended leave of absence) after the date of grant of any Award to the Participant, the Board may determine, to the extent permitted by applicable law, to (a) make a corresponding reduction in the number of Shares or cash amount subject to any portion of such Award that is scheduled to vest or become payable after the date of such change in time commitment, and (ii) in lieu of or in combination with such a reduction, extend the vesting or payment schedule applicable to such Award. In the event of any such reduction, the Participant will have no right with respect to any portion of the Award that is so reduced or extended.

Section 22. Securities Law Compliance.

A Participant will not be issued any Shares in respect of an Award unless either (a) the shares are registered under the Securities Act; or (ii) the Company has determined that such issuance would be exempt from the registration requirements of the Securities Act. Each Award also must comply with other applicable law governing the Award, and a Participant will not receive such Shares if the Company determines that such receipt would not be in material compliance with applicable law.

Section 23. Erroneously Awarded Compensation.

The Plan and all Awards issued hereunder shall be subject to any compensation recovery and/or recoupment policy adopted by the Company to comply with applicable law, including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or to comport with good corporate governance practices, as such policies may be amended from time to time. In addition, the Administrator may impose such other clawback, recovery or recoupment provisions in an Award Agreement as the Administrator determines necessary or appropriate, including but not limited to a reacquisition right in respect of previously acquired Shares or other cash or property upon the occurrence of Cause. No recovery of compensation under such a clawback policy or provision will be an event giving rise to a Participant's right to voluntarily terminate employment upon a "resignation for good reason," or for a "constructive termination" or any similar term under any plan of or agreement with the Company.

Section 24. Governing Law.

The Plan shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law of such state.

Section 25. Plan Document Controls.

The Plan and each Award Agreement constitute the entire agreement with respect to the subject matter hereof and thereof; provided that in the event of any inconsistency between the Plan and such Award Agreement, the terms and conditions of the Plan shall control.

**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: August 8, 2024

/s/ McCord Christensen

McCord Christensen  
*Chief Executive Officer*

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

I, Zvi Glasman, 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: August 8, 2024

/s/ Zvi Glasman

Zvi Glasman  
*Chief Financial Officer*

**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 June 30, 2024, 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

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McCord Christensen  
*Chief Executive Officer*

Date: August 8, 2024

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of PetIQ, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

**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 June 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Zvi Glasman, 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/ Zvi Glasman

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Zvi Glasman  
*Chief Financial Officer*

Date: August 8, 2024

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of PetIQ, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.