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

# FORM 8-K/A

## CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **January 17, 2018**

# PETIQ, INC.
(Exact name of registrant as specified in its charter)

| | | |
|---|---|---|
| **Delaware** | **001-38163** | **35-2554312** |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (I.R.S. Employer Identification No.) |

| | |
|---|---|
| **500 E. Shore Drive, Suite 120**<br>**Eagle, Idaho** | **83616** |
| (Address of principal executive offices) | (Zip Code) |

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

**N/A**
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

☒ Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act (17 CFR 240.12b-2)

☒ Indicate by check mark if the registrant has elected not to use the extended transition period for complying with new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act (17 CFR 240.13(a)-1)

PetIQ, Inc. (the “Company”) hereby amends and supplements the Current Report on Form 8-K originally filed with the Securities and Exchange Commission on January 23, 2018 to include the information required by Item 9.01(a) and Item 9.01(b) on Form 8-K in connection with the acquisition by the Company of Community Veterinary Clinics, LLC d/b/a VIP Petcare (“VIP”) from VIP Petcare Holdings, Inc. (“VIP Holdings”), pursuant to a Unit Purchase Agreement, dated as of January 5, 2018.

**Item 9.01. Financial Statements and Exhibits**

(a) Financial Statements of Business Acquired

Audited consolidated financial statements of VIP which comprise the consolidated balance sheets as of December 31, 2017, 2016, and 2015, and the related consolidated statements of operations, members’ equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements, are attached hereto as Exhibit 99.1 and incorporated herein by reference.

(b) Pro Forma Financial Information

Unaudited pro forma combined balance sheet as of December 31, 2017 and unaudited pro forma condensed combined statements of operations for the year ended December 31, 2017 are attached hereto as exhibit 99.2 and incorporated herein by reference. The unaudited pro forma condensed combined financial information is a presentation of historical results with accounting adjustments necessary to reflect the estimated pro forma effect of the acquisition and is presented for informational purposes only. The unaudited pro forma condensed combined financial information does not reflect the effects of any anticipated changes to be made to the operations of the combined companies in connection with the acquisitions, including synergies and cost savings and does not include one-time charges expected to result from the transaction. The unaudited pro forma condensed consolidated financial information should not be construed to be indicative of future results of operations or financial position.

*(d)* *Exhibits:*

| Exhibit No. | Description |
|---|---|
| 23.1 | Consent of BPM LLP |
| 99.1 | Audited consolidated financial statements of VIP, which comprise the consolidated balance sheets as of December 31, 2017, 2016, and 2015 and the related consolidated statements of operations, members’ equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements |
| 99.2 | Unaudited pro forma combined balance sheet as of December 31, 2017 and unaudited pro forma combined statements of operations for the year ended December 31, 2017 of PetIQ, Inc. and VIP. |

## 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 hereunto duly authorized.

| | |
|---|---|
| | PETQ, INC. |
| Dated: April 2, 2018 | By /s/ John Newland |
| | Name: John Newland |
| | Title: Chief Financial Officer |

**Exhibit 23.1**

# CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos.333-223635 and 333-219455) of PetIQ, Inc. of our report dated February 28, 2018 relating to the consolidated financial statements of Community Veterinary Clinics, LLC d/b/a VIP Petcare, which appears in the Current Report on Form 8-K/A of PetIQ, Inc. dated April 02, 2018.

/s/ BPM LLP

Santa Rosa, California
April 02, 2018

**Exhibit 99.1**

# COMMUNITY VETERINARY CLINICS, LLC
# AND SUBSIDIARIES DBA VIP PETCARE

## CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017, 2016, and 2015

**COMMUNITY VETERINARY CLINICS, LLC**
**AND SUBSIDIARIES DBA VIP PETCARE**

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# INDEPENDENT AUDITORS' REPORT

To the Members and Board of Directors of
Community Veterinary Clinics, LLC and Subsidiaries

We have audited the accompanying consolidated financial statements of Community Veterinary Clinics, LLC (a Delaware limited liability company) (the "Company") and its subsidiaries dba VIP Petcare, which comprise the consolidated balance sheets as of December 31, 2017, 2016, and 2015, and the related consolidated statements of income, members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Veterinary Clinics, LLC and its subsidiaries dba VIP Petcare as of December 31, 2017, 2016, and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 2 to the consolidated financial statements, certain errors were discovered by management of the Company during the current year resulting in an overstatement of amounts previously reported for inventory as of December 31, 2016 and 2015, and an understatement of cost of sales for the years then ended. Accordingly, amounts reported for inventory and cost of sales have been adjusted in the 2017 consolidated financial statements now presented, and an adjustment has been made to members' equity as of December 31, 2015 and December 31, 2016, to correct the errors.

As discussed in Note 16, the member of the Company sold its interest to an unrelated third party, PetIQ, Inc., subsequent to December 31, 2017.

Our opinion is not modified with respect to these matters.

Santa Rosa, California
February 28, 2018

# COMMUNITY VETERINARY CLINICS, LLC
# AND SUBSIDIARIES DBA VIP PETCARE

## CONSOLIDATED BALANCE SHEETS

December 31, 2017, 2016, and 2015

| | | 2017 | | 2016 (*As adjusted, Note 2)* | | 2015 (*As adjusted, Note 2)* |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Current assets: | | | | | | |
| Cash | $ | 4,577,579 | $ | 3,038,844 | $ | 3,413,477 |
| Trade accounts receivable | | 3,100,375 | | 2,773,384 | | 1,975,432 |
| Vendor rebates receivable | | 4,614,573 | | 6,189,220 | | 2,639,135 |
| Other receivables | | 2,534,787 | | 516,280 | | 129,498 |
| Inventories | | 8,844,729 | | 17,028,346 | | 9,979,072 |
| Note receivable from related parties, current portion | | 900,000 | | — | | — |
| Prepaid expenses and deposits | | 612,502 | | 493,867 | | 235,323 |
| Total current assets | | 25,184,545 | | 30,039,941 | | 18,371,937 |
| Property and equipment, net | | 8,414,719 | | 8,894,682 | | 5,997,004 |
| Note receivable from related parties, less current portion | | 7,650,000 | | — | | — |
| Goodwill, net | | 469,400 | | 540,701 | | 612,002 |
| Total assets | $ | 41,718,664 | $ | 39,475,324 | $ | 24,980,943 |
| **LIABILITIES AND MEMBERS' EQUITY** | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | $ | 16,678,970 | $ | 23,491,260 | $ | 12,904,268 |
| Rebates payable | | 2,765,993 | | 641,000 | | — |
| Accrued expenses | | 2,515,583 | | 2,566,184 | | 1,897,054 |
| Deferred revenue | | — | | — | | 665,646 |
| Obligations under capital leases, current portion | | 1,238,041 | | 1,237,704 | | 649,472 |
| Long-term debt, current portion | | 1,000,000 | | — | | — |
| Total current liabilities | | 24,198,587 | | 27,936,148 | | 16,116,440 |
| Obligations under capital leases, less current portion | | 1,410,123 | | 2,683,527 | | 1,311,246 |
| Long-term debt, less current portion | | 8,583,333 | | — | | — |
| Deferred rent | | 601,096 | | 586,259 | | 404,776 |
| Total liabilities | | 34,793,139 | | 31,205,934 | | 17,832,462 |
| Commitments and contingencies (Notes 11 and 15) | | | | | | |
| Members' equity | | 6,925,525 | | 8,269,390 | | 7,148,481 |
| Total liabilities and members' equity | $ | 41,718,664 | $ | 39,475,324 | $ | 24,980,943 |

The accompanying notes are an integral
part of these consolidated financial statements.

# COMMUNITY VETERINARY CLINICS, LLC
# AND SUBSIDIARIES DBA VIP PETCARE

## CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2017, 2016, and 2015

| | 2017 | 2016 *(As adjusted, Note 2)* | 2015 *(As adjusted, Note 2)* |
|---|---|---|---|
| Net sales | $ 251,867,552 | $ 167,721,468 | $ 144,383,776 |
| Cost of sales | 176,579,912 | 110,136,191 | 98,963,763 |
| Gross profit | 75,287,640 | 57,585,277 | 45,420,013 |
| Operating expenses: | | | |
| Selling, general, and administrative expenses | 67,373,972 | 51,248,335 | 37,990,572 |
| Other operating income: | | | |
| Gain (loss) on disposal of equipment | 32,334 | 534,159 | (13,778) |
| Income from operations | 7,946,002 | 6,871,101 | 7,415,663 |
| Other income (expense): | | | |
| Interest expense | (401,218) | (177,200) | (104,258) |
| Interest income from related parties | 246,706 | — | — |
| Other expense, net | (154,512) | (177,200) | (104,258) |
| Income before state taxes and LLC fees | 7,791,490 | 6,693,901 | 7,311,405 |
| State taxes and LLC fees | 248,749 | 112,538 | 26,530 |
| Net income | $ 7,542,741 | $ 6,581,363 | $ 7,284,875 |

The accompanying notes are an integral
part of these consolidated financial statements.

# COMMUNITY VETERINARY CLINICS, LLC
# AND SUBSIDIARIES DBA VIP PETCARE

## CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

For the years ended December 31, 2017, 2016, and 2015

| | Management Incentive Plan | | Total Members' Equity |
|---|---|---|---|
| | Units | Amount | |
| Balance as of January 1, 2015, as originally reported | — | $ — | $ 2,980,510 |
| Net income, as originally reported | — | — | 7,711,348 |
| Impact of correction of error (Note 2) | — | — | (426,473) |
| Preferred distributions | — | — | (400,000) |
| Distributions to members | — | — | (2,716,904) |
| Management incentive plan expense | 200,000 | — | — |
| Balance as of December 31, 2015, as adjusted | 200,000 | — | 7,148,481 |
| Net income, as originally reported | — | — | 7,994,887 |
| Impact of correction of error (Note 2) | — | — | (1,413,524) |
| Preferred distributions | — | — | (400,000) |
| Distributions to members | — | — | (5,060,454) |
| Management incentive plan expense | 125,000 | — | — |
| Balance as of December 31, 2016, as adjusted | 325,000 | — | 8,269,390 |
| Net income | — | — | 7,542,741 |
| Preferred distributions | — | — | (254,000) |
| Distributions to members | — | — | (8,923,938) |
| Management incentive plan expense | 725,000 | 291,332 | 291,332 |
| Balance as of December 31, 2017 | 1,050,000 | $ 291,332 | $ 6,925,525 |

The accompanying notes are an integral
part of these consolidated financial statements.

# COMMUNITY VETERINARY CLINICS, LLC
# AND SUBSIDIARIES DBA VIP PETCARE

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017, 2016, and 2015

| | 2017 | 2016 (As adjusted, Note 2) | 2015 (As adjusted, Note 2) |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net income | $ 7,542,741 | $ 6,581,363 | $ 7,284,875 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 3,116,226 | 2,989,880 | 2,148,492 |
| (Gain) loss on disposal of equipment | (32,334) | (534,159) | 13,778 |
| Deferred rent | 14,837 | 181,483 | (89,624) |
| Management incentive plan expense | 291,332 | — | — |
| Changes in operating assets and liabilities: | | | |
| Trade accounts receivable | (326,991) | (797,952) | 923,066 |
| Vendor rebates receivable | 1,574,647 | (3,550,085) | (2,045,207) |
| Other receivables | (2,018,507) | (386,782) | (129,495) |
| Inventories | 8,183,617 | (7,049,274) | (7,824,724) |
| Prepaid expenses and deposits | (118,635) | (258,544) | (40,974) |
| Accounts payable | (6,812,290) | 10,586,992 | 2,342,898 |
| Rebate payable | 2,124,993 | 641,000 | — |
| Accrued expenses | (50,601) | 669,130 | 355,757 |
| Deferred revenue | — | (665,646) | 405,649 |
| Net cash provided by operating activities | 13,489,035 | 8,407,406 | 3,344,491 |
| Cash flows from investing activities: | | | |
| Purchase of equipment | (2,663,527) | (2,607,257) | (2,196,081) |
| Proceeds from sale of equipment | 130,899 | 1,301,606 | — |
| Issuance of note receivable to related parties | (9,350,000) | — | — |
| Proceeds from the repayment of notes receivable from related parties | 800,000 | — | — |
| Net cash used in investing activities | (11,082,628) | (1,305,651) | (2,196,081) |
| Cash flows from financing activities: | | | |
| Borrowings of long-term debt | 10,000,000 | — | — |
| Repayments of obligations under capital lease | (1,273,067) | (2,015,934) | (477,651) |
| Principal payments of long-term debt | (416,667) | — | (572,539) |
| Repayments of due to members | — | — | (143,856) |
| Collection of due from members | — | — | 497,057 |
| Distributions to members | (9,177,938) | (5,460,454) | (3,116,904) |
| Net cash used in financing activities | (867,672) | (7,476,388) | (3,813,893) |
| Net change in cash | 1,538,735 | (374,633) | (2,665,483) |
| Cash, beginning of year | 3,038,844 | 3,413,477 | 6,078,960 |
| Cash, end of year | $ 4,577,579 | $ 3,038,844 | $ 3,413,477 |
| Supplementary disclosure of cash flow information: | | | |
| Cash paid during the year for interest | $ 361,272 | $ 174,831 | $ 104,258 |
| Cash paid during the year for income taxes | $ 230,810 | $ 107,373 | $ 56,857 |
| Noncash financing activities: | | | |
| Equipment purchased through capital lease | $ — | $ 3,976,447 | $ 1,179,421 |

The accompanying notes are an integral part of these consolidated financial statements.

## 1. Nature of Business and Summary of Significant Accounting Policies

***Nature of Operations***

Community Veterinary Clinics, LLC dba VIP Petcare (the "Company") is a Delaware limited liability company, which was formed in April 2014. VIP Petcare is the leader in innovative pet wellness. The Company provides veterinary care to pet owners through their nationwide network of community clinic locations and wellness centers within the United States. The Company is also a wholesale distributor of pet care products.

The Company acquired the operations of Pet Services Operating, LLC dba PawsPlus (formerly Pet Services Operating Corporation and its subsidiaries) and VIP PetCare, LLC (formerly HapyPet Corporation and its subsidiary) on August 4, 2014. The acquisition has been accounted for as a business combination under Accounting Standards Codification ("ASC") 805, *Business Combinations*. The excess of liabilities assumed of $3,303,975 over total assets acquired of $2,875,963 was recorded as goodwill of $428,012.

Prior to May 2017, the Company was owned 70% by VIP Petcare Holdings, Inc. ("VIPH") and 30% by Pet Services Holdings, Inc. ("PSH"). VIPH was also entitled to receive preferred distributions in the aggregate amount of $2,000,000 in priority to any other distributions to PSH (other than tax distributions). Preferred distributions were $254,000 for the year ended December 31, 2017 and $400,000 for the years ended December 31, 2016 and 2015. On May 22, 2017, VIPH acquired the 30% interest from PSH. As of December 31, 2017, VIPH is the sole member of the Company.

On January 17, 2018, PetIQ, Inc. ("PetIQ"), a leading pet medication and wellness company, acquired all of the outstanding membership interests of the Company from VIPH for approximately $220 million.

***Basis of Presentation***

The accounting records are maintained and the consolidated financial statements are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

***Principles of Consolidation***

The consolidated financial statements include the accounts of Community Veterinary Clinics, LLC and its subsidiaries, Pet Services Operating, LLC and its wholly-owned subsidiaries, PawsPlus Management, LLC, PawsPlus Hospitals, LLC (dissolved August 15, 2016), Pet Internet Services, LLC, (dissolved August 15, 2016), and Vet Wellcare, LLC (dissolved August 15, 2016), together with VIP PetCare, LLC and its subsidiary, Community Clinics, Inc. as well as CVC MIP GP, Inc. The membership units are included in CVC Management Incentive Plan, LP. In addition, the consolidated financial statements include the accounts of Gentle Doctor (Tennessee), PLLC, Gentle Doctor (North Carolina), PC, Gentle Doctor (Texas), PC, Community Veterinary Clinics Alabama, PC, and Community Veterinary Clinics, PC, which are variable interest entities with the Company as the primary beneficiary. All significant inter-company transactions have been eliminated.

***Use of Estimates***

The presentation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Continued

***Fair Value Measurements***

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. U.S. GAAP permits an entity to choose to measure many financial instruments and certain other items at fair value and contains financial statement presentation and disclosure requirements for assets and liabilities for which the fair value option is elected. Management has not elected to report any of the Company's assets or liabilities at fair value under the "fair value option" provided by U.S. GAAP.

***Trade Accounts Receivable***

The majority of the Company's trade accounts receivable are due from its wholesale customers. The Company also provides preventative services to pets at locations owned by its retail partners and amounts related to these services may be carried as receivables. Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. Management does not believe that an allowance for doubtful accounts is needed as of December 31, 2017, 2016, and 2015. The Company does not accrue interest on past-due amounts.

***Vendor Rebates Receivable***

The Company has arrangements with several vendors that provide rebates when certain measures, generally related to the volume level of purchases, are met. The Company accounts for such rebates as a reduction of the cost of inventory and therefore a reduction of cost of sales when the related inventory is sold. Throughout the year, the Company estimates the amount of the rebate based on an estimate of purchases to date relative to the purchase levels that mark the progress toward earning the rebates. The Company continually revises the estimates of earned vendor rebates based on actual purchase levels. Substantially all vendor rebate receivables are collected within three months immediately following the end of the year.

***Vendor Allowances***

The Company receives vendor allowances from agreements made with certain merchandise suppliers, primarily in the form of advertising funding agreements. These vendor allowances are specifically related to identifiable advertising costs incurred to promote and sell vendor products. The Company also receives vendor allowances as reimbursement of costs incurred for fixtures used to display and sell suppliers' products.

Vendor allowances for advertising and fixtures are recorded as a reduction of selling, general, and administrative expenses at the time of purchase in the consolidated statements of income.

***Inventories***

Inventories consist primarily of purchased pet care products. Inventories are recorded at the lower of cost, net of rebates, or net realizable value and are stated using the first-in, first-out ("FIFO") method. Physical inventory counts are taken on a regular basis, and inventory is adjusted accordingly.

The Company assesses the valuation of its inventories and reduces the carrying value of those inventories that are obsolete or in excess of the Company's forecasted usage to their estimated net realizable value. The Company estimates the net realizable value of such inventories based on analyses and assumptions including, but not limited to, historical usage, future

Continued

demand, market prices, and market requirements. Reductions to the carrying value of inventories are recorded in cost of sales. If the future demand for the Company's products is less favorable than the Company's forecasts, the value of the inventories may be required to be reduced, which could result in additional expense to the Company and affect its results of operations.

The Company also receives rebates from vendors based on the volume of purchases of inventory, which is included as a reduction of cost of sales when the related inventory is sold and totaled $21,705,176, $8,710,422, and $5,136,899 for the years ended December 31, 2017, 2016, and 2015, respectively.

***Property and Equipment***

Property and equipment are recorded at cost less accumulated depreciation and amortization. Depreciation is provided on vehicles, vehicle accessories, furniture, fixtures, equipment, and computer software and hardware using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements and capital lease assets are amortized using the straight-line method over the shorter of the lease term or the estimated useful lives of the related assets. Certain costs incurred in connection with developing or obtaining internal use software are capitalized. Costs associated with the preliminary stage of a project are expensed as incurred. In the development phase, project costs capitalized include external consulting costs and internal labor costs. Training costs, data conversion costs, and maintenance costs are expensed as incurred. Maintenance and repairs to furniture, fixtures, and equipment are expensed as incurred.

Property and equipment are depreciated using the following estimated useful lives:

| | |
|---|---|
| Vehicles and vehicle accessories | 4 to 5 years |
| Computer software and hardware | 3 to 5 years |
| Warehouse and office equipment | 5 to 7 years |
| Leasehold improvements | 15 to 20 years |
| Furniture and fixtures | 5 to 7 years |

***Impairment of Long-Lived Assets***

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. No impairment of long-lived assets was identified for the years ended December 31, 2017, 2016, and 2015.

***Goodwill***

The carrying value of goodwill represents the excess of the cost of acquired businesses over the fair market value of their net assets. The Company has elected to amortize goodwill on a straight-line basis over 10 years and performs impairment testing if a triggering event occurs. The Company determined that no qualitative factors exist to indicate that an impairment of goodwill exists for the years ended December 31, 2017, 2016, and 2015.

***Rebates Payable***

The Company offers rebates to key customers when certain measures, generally related to volume purchases, are met. Since rebates are contractually agreed upon, they are estimated based on the specific terms of the agreement, generally based on a percentage of purchases from the Company. Rebates are accrued for and included as a reduction of sales in the period for which the customer earns the rebate.

Continued

### *Deferred Revenue*

The Company occasionally receives advances from a customer for future inventory purchases and records them as deferred revenue until the inventory is sold.

### *Revenue Recognition*

The Company recognizes revenue when persuasive evidence of an arrangement exists, product has been delivered, the price is fixed or determinable and collectability is reasonably assured. The Company generally records revenues from product sales when the goods are shipped and the risks and rewards of ownership are transferred to the customer.

The Company offers a variety of trade promotions. Sales are recorded net of trade promotion spending, which is recognized at the later of the date on which the Company recognizes the related revenue or the date on which the Company offers the incentive. The Company's net sales are periodically influenced by the timing, extent and amount of such trade promotions.

### *Shipping and Handling Costs*

Shipping and handling costs associated with outbound freight are included in selling, general, and administrative expenses and totaled $347,473, $297,287, and $263,143 for the years ended December 31, 2017, 2016, and 2015, respectively. Shipping and handling fees billed to customers are included in net sales.

### *Host Fees*

Host fees are paid to pet stores that host a wellness center or clinic, and are typically based on a percentage of sales from the clinic in that store. The Company accrues a liability and records an expense in the period that the sales are recorded.

### *Advertising and Promotion Costs*

Advertising costs are expensed as incurred, and are recorded in selling, general, and administrative expenses in the consolidated statements of income. Advertising and promotion costs totaled $3,525,143, $2,925,943, and $1,932,574 for the years ended December 31, 2017, 2016, and 2015, respectively.

### *Stock-Based Compensation*

The Company adopted a Management Incentive Plan ("MIP") on March 31, 2015. The Company accounts for the MIP in accordance with ASC Topic 718, *Compensation – Stock Compensation*, which generally requires recognition of MIP compensation cost in consolidated financial statements based on fair value. Compensation cost is recognized over the period during which an employee is required to provide services in exchange for the award (the requisite service period). The amount of compensation costs recognized in the consolidated statement of income is based on the awards that are ultimately expected to vest. The grants are treated as an equity instrument until a cash payment, as defined in the MIP, becomes probable, at which time a liability will be recorded for the expected payment amount. A cash payment will only occur upon the occurrence of a capital event (Note 10).

Continued

***Income Taxes***

The Company has elected to be taxed as a limited liability company. As such, the Company does not pay federal income taxes on its taxable income and pays various state and local income and franchise taxes. The members are liable for income taxes on the Company's taxable income.

There are no uncertain tax positions that would require adjustment to or disclosure in the consolidated financial statements. The Company is no longer subject to U.S. federal or state and local income tax examinations by tax authorities for years before 2013.

In December 2017, the Tax Cuts and Jobs Act ("TCJA") was enacted in the United States. Among other things, the TCJA reduces the U.S. corporate income tax rate from 35% to 21% and implements a new system of taxation for non-U.S. earnings, including by imposing a one-time tax on the deemed repatriation of undistributed earnings of non-U.S. subsidiaries. As a result of the membership acquisition by PetIQ, management is currently evaluating the effects of the TCJA.

***Recent Accounting Pronouncements***

In May 2014, as part of its ongoing efforts to assist in the convergence of U.S. GAAP and International Financial Reporting Standards ("IFRS"), the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606). The new guidance sets forth a new five-step revenue recognition model which replaces the prior revenue recognition guidance in its entirety and is intended to eliminate numerous industry-specific pieces of revenue recognition guidance that have historically existed in U.S. GAAP. The underlying principle of the new standard is that a business or other organization will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects what it expects in exchange for the goods or services. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not addressed completely in the prior accounting guidance. The ASU provides alternative methods of initial adoption and will become effective for private companies for annual periods beginning after December 15, 2018. The FASB has issued several updates to the standard which i) defer the original effective date from January 1, 2018 to January 1, 2019, while allowing for early adoption as of January 1, 2018 (ASU 2015-14); ii) clarify the application of the principal versus agent guidance (ASU 2016-08); and iii) clarify the guidance on inconsequential and perfunctory promises and licensing (ASU 2016-10). In May 2016, the FASB issued ASU 2016-12, *Revenue from Contracts with Customers* (Topic 606) *Narrow-Scope Improvements and Practical Expedients*, to address certain narrow aspects of the guidance including collectibility criterion, collection of sales taxes from customers, noncash consideration, contract modifications and completed contracts. This issuance does not change the core principle of the guidance in the initial topic issued in May 2014. The Company is currently evaluating the impact of the adoption of this accounting guidance on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases.* The objective of the update is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet for leases with a lease term of more than 12 months. In addition, the ASU will require additional disclosures regarding key information about leasing arrangements. Under existing guidance, operating leases are not recorded as lease assets and lease liabilities on the balance sheet. The ASU will be effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this accounting guidance on its consolidated financial statements.

Continued

### *Reclassifications*

Certain reclassifications have been made to the 2016 and 2015 consolidated financial statement presentation to correspond to the current year's presentation.

## 2. Prior Period Adjustment

During the year ended December 31, 2017, management discovered certain errors related to the accounting for vendor rebates received by the Company, which resulted in an overstatement of amounts previously reported for inventories as of December 31, 2016 and 2015, and an understatement of cost of sales for the years then ended. Accordingly, management elected to adjust certain amounts reported in the 2016 and 2015 consolidated financial statements now presented. The effects of the prior period adjustments on the Company's consolidated financial position and results of operations are as follows:

| Consolidated Financial Statement Line Item | As Adjusted | As Originally Reported | Effect of Change |
|---|---|---|---|
| Inventories, December 31, 2015 | $ 9,979,072 | $ 10,405,545 | $ (426,473) |
| Cost of sales, for the year ended December 31, 2015 | $ 98,963,763 | $ 98,537,290 | $ 426,473 |
| Members' equity, December 31, 2015 | $ 7,148,481 | $ 7,574,954 | $ (426,473) |
| Net income, for the year ended December 31, 2015 | $ 7,284,875 | $ 7,711,348 | $ (426,473) |
| Inventories, December 31, 2016 | $ 17,028,346 | $ 18,868,343 | $ (1,839,997) |
| Cost of sales, for the year ended December 31, 2016 | $ 110,136,191 | $ 108,722,667 | $ 1,413,524 |
| Members' equity, December 31, 2016 | $ 8,269,390 | $ 10,109,387 | $ (1,839,997) |
| Net income, for the year ended December 31, 2016 | $ 6,581,363 | $ 7,994,887 | $ (1,413,524) |

## 3. Property and Equipment

Property and equipment consists of the following as of December 31:

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Vehicles and vehicle accessories | $ 7,508,751 | $ 7,837,051 | $ 5,667,025 |
| Computer software and hardware | 4,883,632 | 4,144,675 | 3,267,435 |
| Warehouse and office equipment | 1,738,847 | 1,345,349 | 887,392 |
| Leasehold improvements | 1,188,405 | 739,466 | 500,277 |
| Furniture and fixtures | 441,761 | 399,378 | 363,715 |
| Assets not yet in service | 1,028,905 | 26,668 | 281,591 |
| | 16,790,301 | 14,492,587 | 10,967,435 |
| Less accumulated depreciation | (8,375,582) | (5,597,905) | (4,970,431) |
| Total property and equipment, net | $ 8,414,719 | $ 8,894,682 | $ 5,997,004 |

Depreciation expense was $3,044,925, $2,918,579, and $2,077,191 for the years ended December 31, 2017, 2016, and 2015, respectively.

Continued

## 4. Goodwill

The acquisition described in Note 1 was accounted for as a business combination under ASC 805, *Business Combinations.* The excess of liabilities assumed over total assets acquired was recorded as goodwill, which the Company has elected to amortize on a straight-line basis over 10 years.

Goodwill consists of the following as of December 31:

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Goodwill | $ 713,012 | $ 713,012 | $ 713,012 |
| Less accumulated amortization | (243,612) | (172,311) | (101,010) |
| Total goodwill, net | $ 469,400 | $ 540,701 | $ 612,002 |

Amortization expense was $71,301 for the years ended December 31, 2017, 2016, and 2015.

## 5. Note Receivable from Related Parties

In June 2017, the Company entered into a long-term note receivable agreement with two related parties in the amount of $9,000,000. The note is due on June 30, 2022 and bears an interest rate of 3% per annum in excess of the monthly LIBOR base rate, which was 4.56% as of December 31, 2017. The note calls for 60 equal monthly installments of principal and interest in an amount equal to $1/120^{th}$ of the principal balance outstanding under the note. The outstanding principal balance on the note receivable was $8,550,000 as of December 31, 2017. Interest income earned on this note receivable was $246,706 for the year ended December 31, 2017. As discussed in Note 16, the balance of this note was paid in full in January 2018.

In October 2017, the Company entered into a short-term note receivable agreement with a related party in the amount of $350,000. The note was due on December 18, 2017 and bore an interest rate equal to the short-term Applicable Federal Rate. The outstanding principal balance and all accrued interest was received as of December 31, 2017.

## 6. Accrued Expenses

Accrued expenses consist of the following as of December 31:

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| Accrued compensation and related expenses | $ 1,769,367 | $ 1,833,649 | $ 1,216,453 |
| Accrued host fees | 519,051 | 494,919 | 505,864 |
| Other | 227,165 | 237,616 | 174,737 |
| Total accrued expenses | $ 2,515,583 | $ 2,566,184 | $ 1,897,054 |

## 7. Bank Line of Credit

The Company has a line of credit agreement with a bank that provides for maximum borrowings of $7,000,000, which expires on June 30, 2019. The agreement provides for the monthly payment of interest on outstanding borrowings at the monthly LIBOR rate plus 3.00%. The line of credit is secured by all the assets of the Company not otherwise encumbered, and is guaranteed by VIPH and its stockholders. The Company had no outstanding borrowings against the line of credit as

Continued

of December 31, 2017. The credit agreement contains certain financial statement covenant requirements, with which the Company was not in compliance as of December 31, 2017. The Company received a waiver for the period from the Company's lender.

## 8. Obligations Under Capital Leases

The Company leases certain vehicles under a master lease agreement for capital leases expiring in various years through March 2021. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments.

The following is a schedule by years of future minimum payments required under the leases, together with the present value as of December 31, 2017:

| | |
|---|---|
| Year ending December 31: | |
| 2018 | $ 1,323,644 |
| 2019 | 1,122,215 |
| 2020 | 279,963 |
| 2021 | 34,930 |
| Total minimum lease payments | 2,760,752 |
| Less amount representing interest | (112,588) |
| Present value of net minimum lease payments | 2,648,164 |
| Less current portion | (1,238,041) |
| Obligations under capital leases, noncurrent portion | $ 1,410,123 |

Vehicles under capital leases are included in property and equipment at a cost of $7,020,809, $7,095,547, and $2,755,750 and accumulated depreciation of $2,924,198, $1,508,912, and $674,000 as of December 31, 2017, 2016, and 2015, respectively. Depreciation expense for vehicles under capital lease was $1,441,037, $1,250,802, and $558,107 for the years ended December 31, 2017, 2016, and 2015, respectively.

## 9. Long-Term Debt

Long-term debt consists of the following at December 31:

| | 2017 |
|---|---|
| Note payable to a bank, secured by all Company assets; due in monthly principal payments of $83,333 plus variable interest of 3% above the monthly LIBOR, which was 4.56% as of December 31, 2017; matures June 30, 2022. | $ 9,583,333 |
| Long-term debt | 9,583,333 |
| Less current portion | (1,000,000) |
| Total long-term debt, net | $ 8,583,333 |

There was no outstanding long-term debt as of December 31, 2016 and 2015.

Continued

The note above contains certain financial statement covenant requirements, with which the Company was not in compliance as of December 31, 2017. The Company received a waiver for the period from the Company's lender. Subsequent to December 31, 2017, the Company paid off the above note payable to the bank as a result of the sale of the member interests in the Company described in Note 16.

## 10. Management Incentive Plan

As described in Note 1, the Company adopted a MIP on March 31, 2015. Employees or affiliates ("Participants") who participate in the MIP will be providing services to or for the benefit of the Company in exchange for a "Profits Interest" in the Company within the meaning of IRS Revenue Procedure 93-27 representing an interest in the appreciation of the value of the Company. Profits Interests that are granted will be held by CVC Management Incentive Plan, L.P. ("Limited Partnership"). For each grant of a Profits Interest in the Company, the Limited Partnership shall make a grant of an interest in the Limited Partnership to the Participant which shall effectively mirror the economic benefits of the Profits Interest. The Profits Interest issuable to the MIP shall be designated in Common-B Units. The maximum amount of Common-B Units that may be granted under this Plan shall be 1,500,000, which shall in the aggregate represent a fifteen percent (15%) interest in future increase or subsequent decrease in the value of the assets of the Company, but which will not represent an interest in any of the capital of the Company existing at the time any such Common-B Units are issued. The Company may allow certain employees to participate in the MIP by granting Common-B Units. Upon grant of any Common-B Units, the Board of Managers of the Company will determine the fair market value of the Company. Common-B Units entitle the holder to receive a distribution of cash upon a capital event, as defined in the MIP (for example, change of control, initial public offering, or a sale of all or substantially all of the assets of the Company).

Each grant of Common-B Units shall vest at the rate of 25% per year. Upon occurrence of a capital event, vesting will automatically accelerate and each participant will be 100% vested. The Board of Managers of the Company may change the vesting rate, but in no event shall the Common-B Units vest at a rate less than 20% per year. Upon termination of the Participant, the Company will have the right to repurchase all unvested Common-B Units based on the fair market value of the Company as of the termination date.

As described in Notes 1 and 16, VIPH sold all of its membership interests held in the Company to PetIQ on January 17, 2018 ("Acquisition Date"), which qualified as a capital event. The acquisition triggered a payout to the participants of the MIP of approximately $19 million in January 2018. The obligation for this payout was assumed by VIPH in January 2018 and was treated as compensation expense to the Company and a corresponding capital contribution by VIPH to the Company at the Acquisition Date. As of December 31, 2017, this capital event was considered a contingency and was not probable; therefore, other than the management incentive plan expense recorded in the consolidated statement of members' equity of $291,332 during the year ended December 31, 2017, no liability was incurred until the Acquisition Date and no additional compensation adjustments were recorded for the grants noted below.

On August 6, 2015, the Company granted 200,000 Common B-Units to Participants in the MIP. The Participants were granted two percent (2%) interest in any increase in the fair market value attributable to the Common-B Units.

On January 1, 2016, the Company granted 50,000 Common-B Units to a Participant in the MIP. The Participant was granted one half percent (0.50%) interest in any increase in the fair market value attributable to the Common-B Units.

On January 1, 2016, the Company granted 50,000 Common-B Units to a Participant in the MIP. The Participant was granted one half percent (0.50%) interest in any increase in the fair market value attributable to the Common-B Units.

Continued

On August 30, 2016, the Company granted 25,000 Common-B Units to a Participant in the MIP. The Participant was granted one quarter percent (0.25%) interest in any increase in the fair market value attributable to the Common-B Units.

On August 1, 2017, the Company granted 725,000 Common B-Units to Participants in the MIP. The Participants were granted seven and one quarter percent (7.25%) interest in any increase in the fair market value attributable to the Common-B Units.

As of December 31, 2017, 143,750 units related to the grants described above had vested. All awards became fully vested at the Acquisition Date, and all participants were paid a total of approximately $19 million in January 2018 as a result of the sale of the member interests in the Company described in Note 16.

Using the Black-Scholes option pricing model, management has determined that the MIP grants issued had a total fair value of $165,982 for the grants issued in 2015, $131,082 for the grants issued in 2016, and $1,072,107 for the grants issued in 2017. The significant assumptions used ranged as follows: volatility 65% - 68%, annual risk-free rate 1.00% - 1.59%, and time to maturity of 4 years. The Company recorded $291,332 of compensation expense related to the MIP units for the year ended December 31, 2017. All compensation expense related to the grants in 2015 and 2016 was not considered material, and all future compensation related to these grants was expensed in January 2018 upon the Acquisition Date as noted above.

## 11. Operating Lease Commitments

The Company leases office facilities and warehouses under various operating leases, which expire at various dates through 2023. The Company leases its office and warehouse in Windsor, California from an LLC whose members, through common ownership, represent 100% of the ownership of the Company (see Note 14). Prior to the amendment disclosed below, the lease called for monthly rental payments of $29,820, with annual scheduled increases of 2% through September 2029. Under the terms of certain leases, the Company is responsible for related operating expenses of the building including maintenance, property taxes, insurance, and utilities. The Company expenses the facility leases using the straight-line method. Total rent expense under these leases was $1,250,399, $1,138,839, and $824,184 for the years ended December 31, 2017, 2016, and 2015, respectively.

The future minimum lease payments are as follows:

| | |
|---|---|
| Year ending December 31: | |
| 2018 | $ 1,134,578 |
| 2019 | 872,325 |
| 2020 | 800,565 |
| 2021 | 578,388 |
| 2022 | 505,268 |
| Thereafter | 68,246 |
| | $ 3,959,370 |

In January 2018, the Company entered into an amended and restated lease agreement with the LLC as a result of the sale of member interests in the Company described in Note 16. The amended lease calls for monthly rental payments of $27,320, with annual scheduled increases of 2% through January 2021. The table above reflects the amended and restated lease terms.

Continued

## 12. Employee Benefit Plan

The Company sponsors a 401(k) Profit Sharing Plan for employees who are at least age 21 and have completed 1,000 hours of service. Participants may elect to defer up to 100% of compensation. The Company makes matching contributions of 100% of the employee deferrals up to 4% of compensation. The Company may also make discretionary profit sharing contributions each year, which are allocated to each eligible participant based on compensation. The Company made matching contributions of $302,138, $236,157, and $168,760 for the years ended December 31, 2017, 2016, and 2015, respectively.

## 13. Concentrations

***Cash***

The Company maintains cash balances at one financial institution. Funds are insured by the Federal Deposit Insurance Corporation up to $250,000. From time to time throughout the year, the Company may have cash balances in excess of these limits. The Company has not experienced any losses related to these balances, and management believes its risk to be minimal.

***Trade Accounts Receivable***

Amounts due from one customer accounted for 79% of trade accounts receivable as of December 31, 2017. Amounts due from five customers accounted for 91% of trade accounts receivable as of December 31, 2016. Amounts due from two customers accounted for 87% of trade accounts receivable as of December 31, 2015.

***Vendor Rebates Receivable***

Amounts due from two vendors accounted for 97% of vendor rebates receivable as of December 31, 2017. Amounts due from three vendors accounted for 89% of vendor rebates receivable as of December 31, 2016. Amounts due from five vendors accounted for 96% of vendor rebates receivable as of December 31, 2015.

***Accounts Payable***

Amounts due to one supplier accounted for 84% of accounts payable as of December 31, 2017. Amounts due to two suppliers accounted for 89% of accounts payable as of December 31, 2016 and 2015.

***Sales***

Sales to three customers accounted for 66% of sales for the year ended December 31, 2017. Sales to four customers accounted for 60% of sales for the year ended December 31, 2016. Sales to three customers accounted for 66% of sales for the year ended December 31, 2015.

***Suppliers***

Purchases from one supplier accounted for 75% of purchases for the year ended December 31, 2017. Purchases from one supplier accounted for 57% of purchases for the year ended December 31, 2016. Purchases from three suppliers accounted for 91% of purchases for the year ended December 31, 2015.

Continued

## 14. Related Party Transactions

Amounts due from members of $1,513, $7,251, and $38,257 as of December 31, 2017, 2016, and 2015, respectively, are included in other receivables in the consolidated balance sheets.

The Company leases its office and warehouse in Windsor, California from SSMP Properties, LLC ("SSMP") whose members, through common ownership, represent 100% of the ownership of the Company. The Company paid rent to SSMP of $363,772, $356,639, and $357,840 and rent expense using the straight-line method was $371,245 for the years ended December 31, 2017, 2016, and 2015, respectively (see Note 11).

As discussed in Note 5, the Company had notes receivable and interest income from related parties during the year ended December 31, 2017.

## 15. Contingencies

The Company is subject to various litigation and arbitration claims that arise in the ordinary course of business. While it is the opinion of management, after consultation with legal counsel, that the ultimate liability with respect to these actions will not materially affect the Company's financial position or results of operations, it is not reasonably possible to estimate any potential losses.

## 16. Subsequent Events

As described in Note 1, on January 17, 2018, PetIQ, a leading pet medication and wellness company, acquired all of the outstanding membership interests of the Company for $100 million in cash, $30 million of promissory notes issued to VIPH and approximately $90 million in equity interests of PetIQ. The acquisition was considered a capital event, as defined in the MIP, which triggered a payout to the participants of the MIP of approximately $19 million in January 2018 (Note 10). The obligation for this payout was assumed by VIPH in January 2018 and was treated as compensation expense to the Company and a corresponding capital contribution by VIPH to the Company at the acquisition date.

As a result of PetIQ's acquisition in January 2018, the Company entered into an amended and restated lease agreement for its office and warehouse in Windsor, California. The amended lease calls for monthly rental payments of $27,320, with annual scheduled increases of 2% through January 2021 (Note 11).

In January 2018, the Company paid off the $10 million long-term note with the Company's lender (Note 9). Additionally, the note receivable from related parties was paid in full (Note 5).

Management has evaluated all events that occurred after December 31, 2017 through February 28, 2018, the date these consolidated financial statements were available to be issued. Management concluded that, other than the matters described above, the Company did not have any significant recognizable or unrecognizable subsequent events.

Exhibit 99.2

## UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

On January 17, 2018, PetIQ, Inc. (the "Company, "PetIQ", "we," "us" or "our") completed the acquisition of Community Veterinary Clinics, LLC and Subsidiaries d/b/a VIP Petcare ("VIP" together with PetIQ, Inc. the "Companies") pursuant to a Unit Purchase Agreement dated January 5, 2018 (the "Acquisition") between PetIQ and VIP Holdings Inc. ("VIPH" or the "Sellers"). The accompanying unaudited pro forma condensed combined balance sheet as of December 31, 2017 and the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2017 are based on the separate historical consolidated financial statements of the Company and VIP, after giving effect to the following: (i) the Acquisition and related events and (ii) PetIQ's initial public offering (the "IPO" and together with the Acquisition and related events, the "Transactions") and application of the assumptions and adjustments described in the accompanying notes to the unaudited pro forma condensed combined financial statements. The unaudited pro forma condensed combined balance sheet as of December 31, 2017 reflects the Transactions as if they had been consummated on December 31, 2017. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2017 reflect the Transactions as if they had been consummated on January 1, 2017.

**Acquisition**

Pro forma adjustments reflected in the unaudited pro forma condensed combined balance sheet are based on items that are directly attributable to the Acquisition and related financing that are factually supportable. Pro forma adjustments reflected in the unaudited pro forma condensed combined statements of operations are based on items directly attributable to the Acquisition and related financing and are factually supportable and expected to have a continuing impact on the Company.

In the unaudited pro forma condensed combined financial statements, the Acquisition is accounted for using the acquisition method of accounting in accordance with the Financial Accounting Standards Board Accounting Standards Codification ("ASC") No. 805 Business Combinations. Accordingly, the total purchase price, calculated as described in Note 1 to the unaudited pro forma condensed combined financial statements, is allocated to the net tangible and identifiable intangible assets of VIP, based on preliminary estimates of fair value. The allocation is dependent upon valuations and other studies that have not progressed to a stage where there is sufficient information to make a definitive allocation. Accordingly, the purchase price allocation pro forma adjustments are preliminary, subject to further adjustments as additional information becomes available and additional analyses are performed, and have been made solely for the purpose of providing the accompanying unaudited pro forma condensed combined financial statements. The final determination of fair value of assets acquired and liabilities assumed as of January 17, 2018 and its effect on results of operations may differ significantly from the pro forma amounts included in the unaudited pro forma condensed combined financial statements. These amounts represent management's best estimate as of the date of this Form 8-K/A.

**IPO**

The IPO was completed on July 27, 2017, the results of which are reflected in PetIQ's historical condensed consolidated balance sheet as of December 31, 2017. However, certain events that occurred concurrently with the completion of the IPO have a continuing impact on PetIQ's results of operations and are not reflected in the PetIQ historical consolidated statement of operations for the year ended December 31, 2017. The following occurred in connection with the IPO and are given pro forma effect in the accompanying unaudited pro forma condensed combined statements of operations: (i) the impact of income taxes for the full period; (ii) the allocation of PetIQ income attributeable to non-controlling interests; (iii) the impact of the IPO on the number of shares and earnings per share calculation for the full period; and (iv) stock based compensation expense related to grants at the IPO date reflected for the full period.

The pro forma adjustments are based upon available information and assumptions that management believes reasonably reflect the Acquisition. The pro forma condensed combined financial statements are for illustrative purposes only and are not necessarily indicative of what our financial position or results of operations actually would have been had we completed the Acquisition as of the dates indicated. In addition, the unaudited pro forma condensed combined financial statements do not purport to project the future financial position or operating results of the combined company. You should read this information together with the following:

- the accompanying notes to the unaudited pro forma condensed combined financial statements;
- the separate historical consolidated audited financial statements of PetIQ as of and for the year ended December 31, 2017, included in PetIQ's Annual Report on Form 10-K for the year ended December 31, 2017, filed March 13, 2017;
- the separate historical audited consolidated financial statements of VIP, which comprise the consolidated balance sheets as of December 31, 2017, 2016 and 2015, and the related consolidated statements of income, members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements, included as Exhibit 99.2 in this Form 8-K/A;

The unaudited pro forma condensed combined financial information is prepared in accordance with SEC Regulation S-X Article 11, using the assumptions set forth in the notes to the unaudited pro forma condensed combined financial information. The results set forth in the unaudited pro forma condensed combined financial information include adjustments that give effect to events that are directly attributable to the Transactions described above, are factually supportable and with respect to the unaudited pro forma condensed combined statement of operations are expected to have a continuing impact.

The unaudited pro forma condensed combined financial statements do not include the effects of costs associated with any restructuring or integration activities resulting from the Transactions, as they are non-recurring in nature and not factually supportable at the time that the unaudited pro forma condensed combined financial statements were prepared. In addition, the unaudited pro forma condensed combined financial statements do not include the realization of any cost savings from operating efficiencies or synergies resulting from the Transactions, nor do they include any potential incremental revenues and earnings that may be achieved with the combined capabilities of the Companies.

**PetIQ, Inc.**
**Unaudited Pro Forma Condensed Combined Balance Sheet**
**As of December 31, 2017**
**($'s in 000's)**

| | Historical | | Reclassification and | Pro Forma | Pro Forma |
|---|---|---|---|---|---|
| | **PetIQ** | **VIP** | **Elimination** | **Adjustments** | **Combined** |
| Current assets | | | | | |
| Cash and cash equivalents | $ **37,896** | $ 4,578 | $ — | $ (25,000) 5(a) | $ 17,474 |
| Accounts receivable, net | **21,759** | 10,250 | (5,189) 4(b) | — | 26,820 |
| Inventories | **44,056** | 8,845 | — | 300 5(b) | 53,201 |
| Other current assets | **5,164** | 1,512 | (900) 4(a) | — | 5,776 |
| Total current assets | **108,875** | 25,185 | (6,089) | (24,700) | 103,271 |
| Property, plant and equipment, net | **15,000** | 8,415 | — | 341 5(b) | 23,756 |
| Deferred tax assets | **5,994** | — | — | — | 5,994 |
| Other non-current assets | **2,646** | — | — | — | 2,646 |
| Note receivable from related parties, less current portion | **—** | 7,650 | (7,650) 4(a) | — | — |
| Intangible assets, net | **3,266** | — | — | 100,800 5(b) | 104,066 |
| Goodwill | **5,064** | 469 | (469) 4(a) | 100,989 5(b) | 106,053 |
| Total assets | $ **140,845** | $ 41,719 | $ (14,208) | $ 177,430 | $ 345,786 |
| Liabilities and member's equity | | | | | |
| Current liabilities | | | | | |
| Accounts payable | $ **14,234** | $ 16,679 | $ (5,189) 4(b) | $ 3,184 5(c) | $ 28,908 |
| Accrued wages payable | **1,811** | — | — | — | 1,811 |
| Other accrued expenses | **420** | 5,282 | — | — | 5,702 |
| Current portion of long-term debt and capital leases | **1,726** | 2,238 | (1,000) 4(a) | — | 2,964 |
| Total current liabilities | **18,191** | 24,199 | (6,189) | 3,184 | 39,385 |
| Non-current liabilities | | | | | |
| Long-term debt and capital leases, less current installments | **17,572** | 9,993 | (8,583) 4(a) | 95,400 5(d) | 114,382 |
| Other non-current liabilities | **238** | 601 | (601) 4(a) | 5,773 5(b) 5(e) | 6,011 |
| Total non-current liabilities | **17,810** | 10,594 | (9,184) | 101,173 | 120,393 |
| Commitments and contingencies | | | | | |
| Equity | | | | | |
| Members equity | **—** | 6,926 | (6,926) 4(a) | — | — |
| Additional paid-in capital | **70,873** | — | — | 32,643 5(f) | 103,516 |
| Class A Common Stock | **13** | — | — | — | 13 |
| Class B Common Stock | **8** | — | — | 4 5(f) | 12 |
| Accumulated deficit | **(3,493)** | — | — | (3,184) 5(c) | (6,677) |
| Accumulated other comprehensive loss | **(687)** | — | — | 112 5(f) | (575) |
| Total stockholders' / member's equity | **66,714** | 6,926 | (6,926) | 29,575 | 96,289 |
| Non-controlling interest | **38,130** | — | — | 51,589 5(f) | 89,719 |
| Total equity | **104,844** | 6,926 | (6,926) | 81,164 | 186,008 |
| Total liabilities and equity | $ **140,845** | $ 41,719 | $ (22,299) | $ 185,521 | $ 345,786 |

See accompanying notes to the unaudited pro forma condensed consolidated financial statements

**PetIQ, Inc.**
**Unaudited Pro Forma Condensed Combined Statement of Operations**
**Year ended December 31, 2017**

| | Historical PetIQ | Historical VIP | Elimination and Reclassification | | Pro Forma Adjustments | | Combined Pro Forma |
|---|---|---|---|---|---|---|---|
| Net sales | $ **266,687** | $ 251,868 | $ (111,086) | 4(c) | $ — | | $ 407,469 |
| Cost of sales | **215,493** | 176,580 | (73,661) | 4(c) 4(d) | — | | 318,412 |
| Gross profit | **51,194** | 75,288 | (37,425) | | — | | 89,057 |
| Operating expenses | | | | | | | |
| General and administrative expenses | **37,905** | 67,374 | (37,788) | 4(d) 4(e) | 5,948 | 5(g) 5(h) | 73,439 |
| Gain on disposal of equipment | **—** | 32 | (32) | 4(f) | — | | — |
| Operating income | **13,289** | 7,946 | 331 | | (5,948) | | 15,618 |
| Interest expense, net | **(1,563)** | (401) | 272 | 4(g) | (6,218) | 5(i) | (7,910) |
| Foreign currency gain (loss), net | **(140)** | — | — | | — | | (140) |
| Other income, net | **201** | 246 | (214) | 4(f) 4(g) | — | | 233 |
| Total other expense, net | **(1,502)** | (155) | 58 | | (6,218) | | (7,817) |
| Pretax net income (loss) | **11,787** | 7,791 | 389 | | (12,166) | | 7,801 |
| Income tax expense | **(3,970)** | (249) | 3,970 | 4(h) | (4,736) | 5(j) | (4,985) |
| Net income (loss) | **7,817** | 7,542 | 4,359 | | (16,902) | | 2,816 |
| Net income (loss) attributable to non-controlling interest | **11,310** | — | (11,310) | 4(i) | 4,658 | 5(k) | 4,658 |
| Net Income (loss) attributable to PetIQ, Inc. | $ **(3,493)** | $ 7,542 | $ 15,669 | | $ (21,560) | | $ (1,842) |
| **Net loss per share attributable to PetIQ, Inc. Class A common stock** | | | | | | | |
| Basic | $ (0.26) | — | — | | — | | $ (0.14) |
| Diluted | $ (0.26) | — | — | | — | | $ (0.14) |
| **Weighted Average shares of Class A common stock outstanding** | | | | | | | |
| Basic | 13,222,583 | — | — | | — | | 13,222,583 |
| Diluted | 13,222,583 | — | — | | — | | 13,222,583 |

See accompanying notes to the unaudited pro forma condensed combined financial statements

## Notes to the Unaudited Pro Forma Condensed Combined Financial Statements

**Note 1 - Basis of Pro Forma Presentation.**

The historical consolidated financial statements have been adjusted in the unaudited pro forma condensed combined financial statements to give effect to pro forma events that are (1) directly attributable to the Transactions, (2) factually supportable, and (3) with respect to the unaudited pro forma condensed combined statements of operations, expected to have a continuing impact on the combined results following the Transactions.

The unaudited pro forma condensed combined financial statements are based on a preliminary purchase price allocation, provided for illustrative purposes only, and do not purport to represent what the Companies results of operations would have been had the Acquisition occurred on the dates indicated. They also may not be useful in predicting the future financial condition and results of operations of the Companies. The actual results of operations may differ significantly from the pro forma amounts reflected herein due to a variety of factors. In addition, the unaudited pro forma combined statement of operations do not reflect any future planned cost savings initiatives following the completion of the business combination.

The unaudited pro forma condensed combined financial information is prepared in accordance with SEC Regulation S-X Article 11, using the assumptions set forth in the notes to the unaudited pro forma condensed combined financial information.

In the unaudited pro forma condensed combined financial statements, the acquisition is accounted for using the acquisition method of accounting in accordance with the ASC No. 805 Business Combinations. Accordingly, the total purchase price, calculated as described in Note 2, is allocated to the net tangible and identifiable intangible assets of VIP, based on preliminary estimates of fair value. The allocation is dependent upon valuations and other studies that have not progressed to a stage where there is sufficient information to make a definitive allocation. Accordingly, the purchase price allocation pro forma adjustments are preliminary, subject to further adjustments as additional information becomes available and additional analyses are performed, and have been made solely for the purpose of providing the accompanying unaudited pro forma condensed combined financial statements. The final determination of fair value of assets acquired and liabilities assumed as of January 17, 2018 and its effect on results of operations may differ significantly from the pro forma amounts included in the unaudited pro forma condensed combined financial statements. These amounts represent management’s best estimate as of the date of this Form 8-K/A.

The acquisition method of accounting uses the fair value concepts defined in ASC 820, "Fair Value Measurement" ("ASC 820"). Fair value is defined in ASC 820 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market participants are assumed to be buyers or sellers in the most advantageous market for the asset or liability. Fair value measurement for an asset assumes the highest and best use by these market participants. Fair value measurements can be highly subjective and it is possible the application of reasonable judgment could develop different assumptions resulting in a range of alternative estimates using the same facts and circumstances.

**Note 2 - Preliminary Purchase Price Allocation**

On January 17, 2018, PetIQ, Inc. completed the acquisition of VIP. VIP is a provider of veterinary wellness and pet preventive services as well as a distributor of pet wellness products and medications. VIP provides a comprehensive suite of services at its community clinics and wellness centers hosted at local pet retailers across 31 states, which includes diagnostic tests, vaccinations, prescription medications, microchipping and wellness checks. The total purchase price was approximately $205.9 million, net of cash acquired, and was funded through a combination of cash on hand, borrowings under a new $75 million term loan, a $10 million note payable, two $10 million contingent notes payable upon the achievement of certain EBITDA targets of the Companies, and equity consideration consisting of 4.2 million

LLC interests of PetIQ Holdings LLC (the "LLC Interests") and 4.2 million shares of Class B Common Stock of PetIQ Inc. The preliminary estimated fair value of the consideration is summarized as follows:

| *$'s in 000's* | | Amounts as of Acquisition Date |
|---|---|---|
| Cash (net of Cash acquired) | $ | **95,422** |
| LLC Interests and shares of Class B Common Stock | | **90,031** |
| Note Payable | | **10,000** |
| Contingent Notes | | **10,400** |
| Fair value of total estimated consideration transferred | $ | **205,853** |

The preliminary estimate of fair value of 4.2 million PetIQ Holdings LLC LLC Interests and Class B Common Shares is calculated as follows:

| *amounts in 000's except share price and discount applied* | | Amounts as of Acquisition Date |
|---|---|---|
| Number of LLC Interests and Class B Common Shares issued | | **4,200** |
| Price of Class A Common Shares as of January 16, 2018 | $ | **23.30** |
| Discount applied | | **0.92** |
| Preliminary Estimate of fair value of equity consideration | $ | **90,031** |

The preliminary estimate of fair value of LLC Interests has been adjusted for a marketability discount related to the exchange restriction associated with the LLC Interests under the PetIQ Holdings LLC 6th amended and restated Limited Liability Company Agreement.

The consideration paid is subject to a working capital adjustment by which the consideration will be adjusted upward or downward depending on whether the amount of working capital delivered at the closing of the Acquisition exceeds or is less than a target amount. The working capital adjustment has not yet been finalized and these pro forma financial statements do not reflect any adjustments to the estimated working capital reflected in the consideration paid at the closing of the Acquisition.

The unaudited pro forma condensed combined financial statements have been prepared assuming that the acquisition is accounted for using the acquisition method of accounting. Accordingly, the assets acquired and liabilities assumed of VIP are adjusted to the estimated fair values as of the date of the closing of the Aquisition. The preliminary determination of fair value of assets acquired and liabilities assumed is as follows:

| *$'s in 000's* | | **December 31, 2017** |
|---|---|---|
| Current assets, excluding inventory* | $ | **10,862** |
| Inventories | | **9,145** |
| Property, plant, and equipment | | **8,756** |
| Identifiable intangible assets | | **100,800** |
| Current liabilities* | | **(23,199)** |
| Other liabilities | | **(1,500)** |
| Total identifiable net assets | | **104,864** |
| Goodwill | | **100,989** |
| Total purchase Price | $ | **205,853** |

* fair value approximates book value

A preliminary fair value estimate of $4.1 million has been assigned to net tangible assets acquired, and $100.8 million has been assigned to identifiable intangible assets acquired. Depreciation and amortization related to the fair value adjustments to tangible net assets and amortization related to identifiable intangible assets are reflected as pro forma adjustments to the unaudited pro forma condensed combined statements of operations.

A preliminary fair value estimate of identifiable intangible assets by major intangible asset class and related weighted average amortization period are as follows:

| *$'s in 000's* | Amounts as of Acquisition Date | Weighted Average Amortization Period (Years) | Year Ended December 31, 2017 Pro Forma Amortization Expense |
|---|---|---|---|
| Tradename | $ **10,100** | 10 | $ **1,010** |
| Customer relationships | **90,700** | 20 | **4,535** |
| Total identifiable intangible assets and pro forma amortization expense | $ **100,800** | | $ **5,545** |

**Note 3 - Financing Assumptions**

PetIQ, LLC entered into a term loan credit agreement (the "Term Loan Credit Agreement") on January 17, 2018. The Term Loan Credit Agreement provides for a secured term loan credit facility of $75 million in aggregate at either LIBOR or Base (prime) interest rates plus an applicable margin. As of January 17, 2018, the interest rate on outstanding loans under the Term Loan Credit Agreement was 6.8%.

Additionally, PetIQ entered into the following financing agreements with the Sellers: (A) a $10.0 million note payable due 5 years and 6 months after the closing, which shall accrue interest quarterly in arrears at a rate of 6.75% per annum, (B) a $10.0 million contingent note payable due 5 years and 6 months after the closing if PetIQ and its consolidated subsidiaries have EBITDA of $40.0 million for the year ending December 31, 2018, which, if payable, shall accrue interest quarterly in arrears at a rate of 6.75% per annum beginning on the first anniversary of the closing, and (C) a $10.0 million contingent note payable due 5 years and 6 months after the closing if PetIQ and its consolidated subsidiaries have EBITDA of $50.0 million for the year ending December 31, 2019, which, if payable, shall accrue interest quarterly in arrears at a rate of 6.75% per annum beginning on the second anniversary of the closing; (collectively, the "Notes").

**Note 4 - VIP Historical Financial Information, Reclassifications and Eliminations**

Unless otherwise indicated, the VIP financial information included herein is derived from VIP's historical financial statements, which were prepared in accordance with accounting principles generally accepted in the United States of America. The VIP historical financial statements are attached as Exhibits 99.2 to this Form 8-K/A.

The unaudited pro forma condensed combined financial information has been compiled in a manner consistent with the accounting policies adopted by PetIQ. PetIQ continues to review the accounting policies of VIP in an effort to determine if differences in accounting policies require restatement or reclassification of results of operations or reclassification of assets or liabilities to conform to PetIQ's accounting policies and classifications. As a result of that review, the combined company may identify additional differences between the accounting policies of the two companies that, when conformed, could have a material impact on the consolidated financial statements of the Companies.

PetIQ has completed a preliminary review of accounting policies for purposes of the unaudited pro forma condensed combined financial statements during which review, PetIQ identified a significant difference in accounting policy in regards to accounting for certain items detailed below. The reclassifications have no effect on reported total assets, total liabiltiies, members' equity or net income (loss). Additionally, certain financial information of VIP as presented in its historical consolidated financial statements has been reclassified to conform to the historical presentation in PetIQ's consolidated financial statements for purposes of preparation of the unaudited pro forma combined financial information. This includes transactions between VIP and PetIQ during the periods presented in the unaudited pro forma condensed combined financial information.

***Reclassification and Elimination Adjustments to the Unaudited Pro Forma Condensed Combined Balance Sheet a result of the Aquisition***

a) *Represents the elimination of assets not acquired, liabilities not assumed, and historical equity in the Acquisition* including the following:

- *Related Party Note Receivable of $0.9 million recorded in other current asset and $7.7 million recorded in non-current assets.*
- *Goodwill of $0.5 million was replaced via purchase accounting.*
- *Long-term debt, including the current portion of $1.0 million and non-current portion of $8.6 million, which was fully repaid prior to the closing of the Acquisition.*
- *Other non-current liabilities consisting of deferred rent of $0.6 million which was updated to fair value in purchase accounting.*
- *Members' equity of $6.9 million.*

b) *Represents the elimination of amounts payable between PetIQ and VIP, consisting of $2.4 million due to VIP for inventory purchases and $2.8 million due to PetIQ for rebates.*

***Reclassification and Elimination Adjustments to Unaudited Pro Forma Condensed Combined Statement of Operations as a result of the Transactions***

c) *Represents the elimination of sales from VIP to PetIQ for the period.*

d) *Represents the reclassification of certain costs directly related to revenue to conform to PetIQ's accounting policies and Regulation S-X Item 5-03(b). Reclassification primarily represents compensation expense, depreciation expense, and transportation and delivery costs. PetIQ's policy to record direct cost of services within cost of sales is as follows:*

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

| ***$'s in 000's*** | | | |
|---|---|---|---|
| Elimination of VIP sales to PetIQ | **$** | **(111,086)** | (c) |
| Reclassification of direct cost of sales | | **37,425** | (d) |
| Total pro forma impact | **$** | **(73,661)** | |

e) *To eliminate of amortization on goodwill of $0.1 million and stock based compensation costs of $0.3 million from VIP historical financial statements. Legacy goodwill was replaced by the purchase price allocation, and not amortized under PetIQ's accounting policies. Stock based compensation expense related to VIP's legacy plan which was terminated upon the consummation of the Acquisition.*

| ***$'s in 000's*** | | | |
|---|---|---|---|
| Reclassification of direct cost of sales | **$** | **(37,425)** | (d) |
| Elimination of VIP Amortization | | **(71)** | (e) |
| Elimination of VIP stock based compensation expense | | **(292)** | (e) |
| Total pro forma impact | **$** | **(37,788)** | |

f) *To reclassify amounts related to disposal of equipment to conform to PetIQ's presentation within other income (expense).*

| ***$'s in 000's*** | | |
|---|---|---|
| Reclassification of gain on sale of equipment | | **32** (f) |
| Elimination of interest income on related party note | | **(246)**(g) |
| Total pro forma impact | **$** | **(214)** |

g) *To eliminate historical interest expense incurred of approximately $0.3 million on VIP's borrowings not assumed recorded in interest expense, net and interest income of $0.2 million received on related party receivables not acquired by PetIQ recorded in other income, net.*

h) *To eliminate income tax expense related to only the post IPO-period recorded in PetIQ's financial statements.*

i) *To eliminate the non-controlling interest income under the historical structure.*

## Note 5 - Pro Forma Adjustments

***Pro Forma Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet a result of the Transactions***

a) *Represents the cash paid by PetIQ for the Acquisition consisting of $25 million from cash on hand, excluding the $75 million financed through the Term Loan reflected in Note 5d.*

b) *To reflect the acquired assets and liabilities at fair value as described in Note 2.*

c) *To record an obligation for estimated remaining transaction costs of $3.2 million related to the Acquisition consisting of payments for investment banking, consulting, legal and accounting, and other services.*

d) *To reflect borrowings of $75.0 million on the Term Loan and $20.4 million in debt acquired via the Seller Notes at estimated fair value as described in Note 3.*

e) *To record a deferred tax liability for the Acquisition's impact on the Continuing LLC Owner's interest in PetIQ Holdings, LLC.*

| ***$'s in 000's*** | December 31, 2017 | |
|---|---|---|
| Deferred tax liability | $ | (5,683)(e) |
| Below market rate lease liability | | (90)(b) |
| Total pro forma impact | $ | (5,773) |

f) *Adjustments to additional paid-in capital as follows: (i) to reflect the equity interests paid as part of the consideration, the preliminary estimated fair value is based on 4.2 million LLC Interests multiplied by $23.30 the closing price of PetIQ's Class A Common Stock on the date before the closing of the Acquisition, adjusted for a marketability discount as described in Note 2, net of par value of $4 thousand (i) To adjust the equity accounts to reflect the 48.5% non-controlling interest held by owners of PetIQ Holdings LLC other than PetIQ, Inc. (the "Continuing LLC Owners"), and (iii) deferred tax liability adjustment as noted in 5(e). Summary below:*

| ***$'s in 000's*** | December 31, 2017 | |
|---|---|---|
| Deferred tax liability addition | $ | (5,683)(e) |
| Issuance of LLC Interest and Class B Common Shares net of par value | | 90,027 |
| Adjustment to non-controlling interest | | (51,701) |
| Total pro forma impact | $ | 32,643 |

*Accumulated other comprehensive income is adjusted by $0.1 million to reflect the change in non-controlling interest.*

***Pro Forma Adjustments to the Unaudited Pro Forma Condensed Combined Statements of Operations as a result of the Transactions***

g) *Represents amortization expense on the fair value of intangible assets based on the preliminary purchase price allocation further described in Note 1.*

h) *Represents annual stock based compensation expense from certain IPO and VIP Employee Inducement awards granted on July 27, 2017 and January 17th, 2018, respectively as if the grants had occurred on January 1, 2017. Reduced by the removal of acquisition related expenses and recorded stock based compensation expense as follows:*

| ***$'s in 000's*** | | Pro Forma adjustment |
|---|---|---|
| Pro forma amortization expense | $ | 5,545 (g) |
| PetIQ IPO stock based compensation expense, annualized | | 957 (h) |
| VIP Employee Inducement Awards expense, annualized | | 1,858 (h) |
| Less acquisition expenses incurred | | (1,965)(h) |
| Less PetIQ recorded stock based compensation expense | | (447)(h) |
| Total pro forma adjustment | $ | 5,948 |

i) *Represents interest expense on the $75 million term loan, $10 million note payable to the Sellers, and estimated amortization of deferred loan fees. The Term Loan is a variable rate obligation, an increase in the variable rate of 1/8 of one percent would increase interest expense by $0.1 million*

j) *To record income tax expense for the full year on a pro forma basis. Income tax is calculated based on a statutory tax rate of 37% applied to the 51.5% of the operations of PetIQ Holdings LLC owned by PetIQ Inc., adjusted for the tax distribution payable to Continuing LLC Owners.*

*Additionally, PetIQ recorded $3.6 million of tax expense related to the Tax Cuts and Jobs Act, signed into law in December 2017. The expense primarily related to remeasuing deferred tax assets to the new lower tax rates and recording the Company's allocated share of the one time transition tax on unrepatriated earnings of foreign subsidiaries.*

k) *The non-controlling interest income is calculated by first allocating $1.9 million associated with pro forma tax distributions to non-controlling interest holders, then allocating the remaining income attributable to PetIQ Holdings LLC based on the pro forma 48.5% ownership held by the non-controlling interest holders. On a pro forma basis, PetIQ owns 13,222,583 LLC Interests (51.5%), with 12,468,188 (48.5%) held by Continuing LLC Owners, who are considered non-controlling interests.*