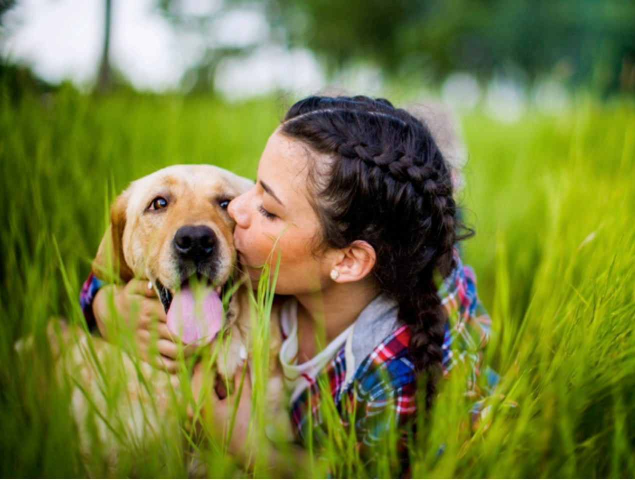


# THIRD QUARTER 2018 EARNINGS PRESENTATION

**NOVEMBER 13, 2018**



# FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements that involve risks and uncertainties, such as statements about our plans, objectives, expectations, assumptions or future events, including statements regarding the proposed acquisition of VIP Petcare by PetIQ, the expected closing date of the acquisition and the potential benefits and synergies of the acquisition. In some cases, you can identify forward-looking statements by terminology such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could" and similar expressions. Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from any future results, performances, or achievements expressed or implied by the forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to, our ability to successfully grow our business through acquisitions; our ability to integrate, manage and expand VIP's business; our dependency on a limited number of customers; our ability to implement our growth strategy effectively; our ability to achieve or sustain profitability; competition from veterinarians and others in our industry; our ability to successfully grow our business through acquisitions; our ability to integrate, manage and expand VIP's business; reputational damage to our brands; economic trends and spending on pets; the effectiveness of our marketing and trade promotion programs; recalls or withdrawals of our products or product liability claims; our ability to manage our manufacturing and supply chain effectively; disruptions in our manufacturing and distribution chains; our ability to introduce new products and improve existing products; our failure to protect our intellectual property; costs associated with governmental regulation; our ability to keep and retain key employees; and the risks set forth under the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2017 and Quarterly Report on 10-Q for the period ended March 31, 2018.

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

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

The Company does not provide guidance for net income, and similarly cannot provide a reconciliation between its forecasted adjusted EBITDA and net income metrics without unreasonable effort due to the unavailability of reliable estimates for certain items. These items are not within the Company's control and may vary greatly between periods and could significantly impact future financial results.



# OUTLINE



PRESENTERS

Cord Christensen, CEO
John Newland, CFO



# RECENT PETIQ FINANCIAL HIGHLIGHTS

## THIRD QUARTER 2018 RESULTS

- Net sales were **$131.4 million**, an increase of **117% year-over-year**
  - Product Sales were **$108.5 million**, an increase of **79% year-over-year**
  - Service revenue was **$22.9 million**
- Net Income was **$3.9 million** compared to $0.9 million
- Adjusted Net Income was **$8.2 million***
- Adjusted EBITDA was **$13.4 million** compared to $5.6 million for the same period in the prior year*
- Up-C structure generated **$23 million** of future cash tax savings, with a total deferred tax asset of **$41 million**

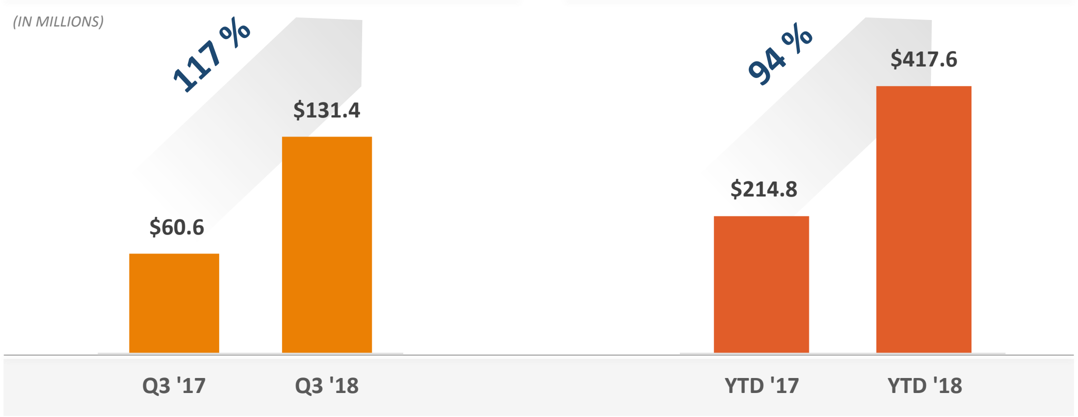
## OTHER BUSINESS HIGHLGHTS

- Opened two wellness centers, for a total of 31 wellness centers and 34 regional offices in operation as of quarter-end
- The Company amended its credit agreement on August 9, 2018, to expand the capacity of the revolving line of credit from $50 million to $75 million; liquidity as September 30, 2018 was **$51.2 million** compared to **$26.5 million** as of June 30, 2018, representing and increase of **$24.7 million** or **93%**
- Subsequent to September 30, 2018, the Company completed an underwritten public offering of 2.0 million shares of Class A common stock for total net proceeds of approximately $73.5 million.
- The Company completed the strategic acquisition of HBH Enterprises LLC ("HBH") on October 17, 2018, with HBH becoming a wholly-owned subsidiary of PetIQ

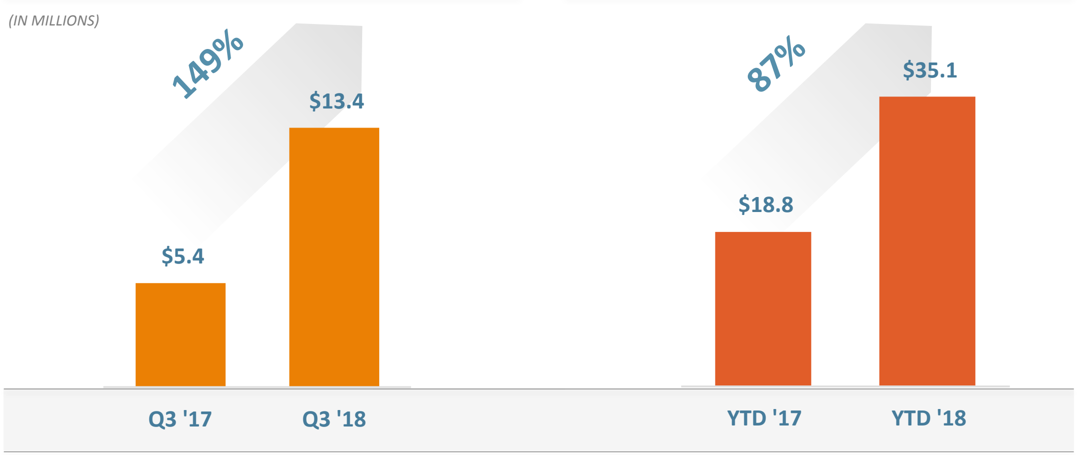
*Notes:* * Non-GAAP financial measure. See the Appendix of this presentation for a reconciliation of the most comparable GAAP measure

# THIRD QUARTER RESULTS

## NET SALES




## ADJUSTED EBITDA*




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

# CONSOLIDATED STATEMENT OF OPERATIONS

## FOR THE QUARTER ENDED SEPTEMBER 30, 2018

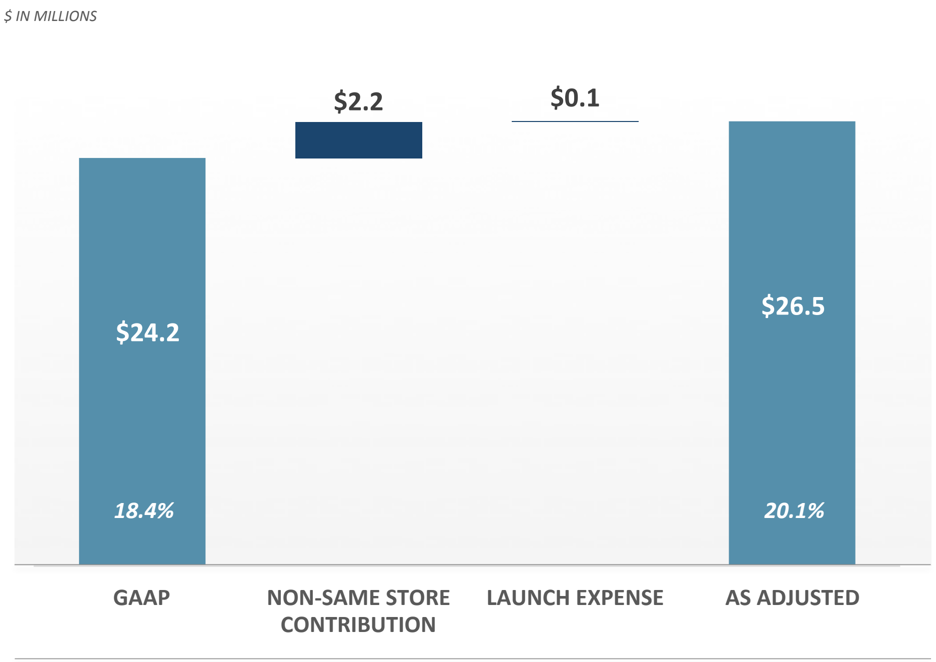
| *$ IN MILLIONS* | THREE MONTHS ENDED | | NINE MONTHS ENDED | |
|---|---|---|---|---|
| | SEPTEMBER 30, 2018 | SEPTEMBER 30, 2017 | SEPTEMBER 30, 2018 | SEPTEMBER 30, 2017 |
| PRODUCT SALES | $108.5 | $60.5 | $355.1 | $214.8 |
| SERVICE REVENUE | $22.9 | — | $62.5 | — |
| **TOTAL NET SALES** | **$131.4** | **$60.5** | **$417.6** | **$214.8** |
| COST OF PRODUCT SOLD | $90.2 | $48.0 | $302.3 | $174.1 |
| COST OF SERVICES | $17.0 | — | $48.9 | — |
| **TOTAL COST OF SALES** | **$107.2** | **$48.0** | **$351.2** | **$174.1** |
| **GROSS PROFIT** | **$24.2** | **$12.5** | **$66.4** | **$40.7** |
| G&A | $17.6 | $10.7 | $53.5 | $27.4 |
| **OPERATING INCOME** | **$6.6** | **$1.8** | **$12.9** | **$13.2** |
| TAX & OTHER EXPENSES | ($2.7) | ($0.9) | ($7.5) | ($2.0) |
| **NET INCOME** | **$3.9** | **$0.9** | **$5.4** | **$11.2** |
| **ADJUSTED EBITDA*** | **$13.4** | **$5.4** | **$35.1** | **$18.8** |

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

# ADJUSTED GROSS PROFIT*

## FOR THE QUARTER ENDED SEPTEMBER 30, 2018

### GROSS PROFIT




### RESULTS PERFORMANCE

The Company reported adjusted Gross Profit of **$26.5M**, an increase of **$13.9M** compared to 3Q17. Adjustments from GAAP gross profit to adjusted gross profit include:

- **NON SAME STORE CONTRIBUTION**
  Net of revenue of $1.5M and costs of $3.7M associated with operating retail service locations that have been open less than 6 full quarters.
- **NEW WELLNESS CENTER LAUNCH EXPENSES**
  Adjustment represents ‘pre-opening’ costs related to the opening of wellness centers, including compensation, training, and other costs.
- **GROSS PROFIT MARGIN**
  Adjusted Gross profit margin on Products increased 2.7% compared to 2Q’18, primarily as a function of product mix as the flea and tick season comes to an end. Adjusted Gross profit margin on Services increased 5.5% compared to 2Q’18, primarily related to the reorganization efforts and clinic closures that were completed in the second quarter.

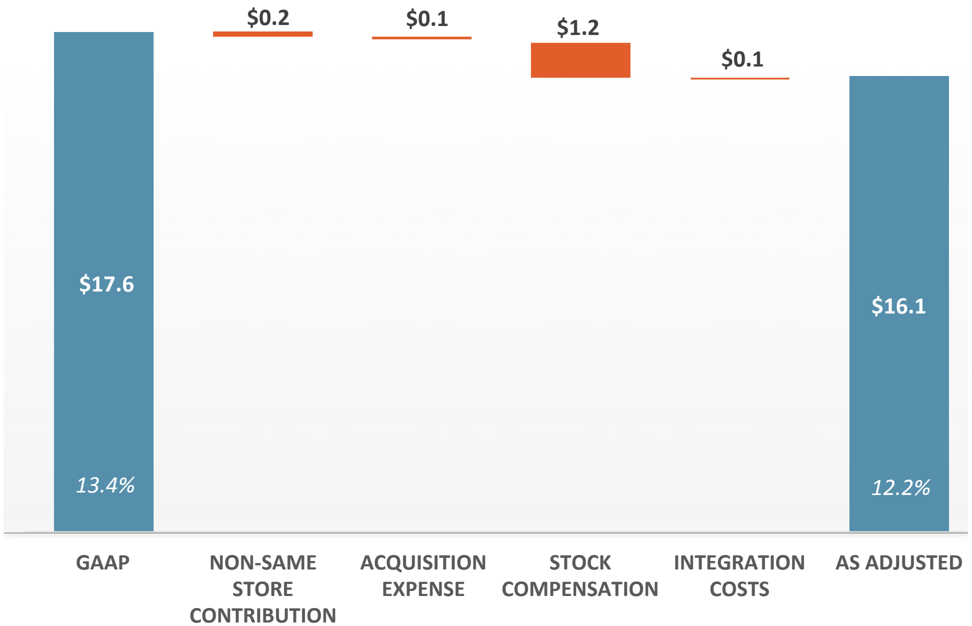
*Notes:* * Non-GAAP financial measure. See the Appendix of this presentation for a reconciliation of adjusted gross profit to gross profit, the most comparable GAAP measure

# ADJUSTED G&A*

## FOR THE QUARTER ENDED SEPTEMBER 30, 2018

*$ IN MILLIONS*

### G&A




### RESULTS PERFORMANCE

Adjusted G&A was **$16.1 million**, representing improvements as a percent of sales of **110bps** vs. 3Q17. Amortization expense related to the purchase of VIP was **$1.2 million.** Adjustments from GAAP G&A to adjusted G&A include:

- **NON-SAME STORE G&A**
  Adjustment outlines expenses associated with operating wellness centers, regional offices, and host partner clinics that have been open less than 18 months
- **ACQUISITION EXPENSE**
  Adjustment includes expenses associated with the purchase of VIP Petcare and HBH including items such legal and tax services
- **INTEGRATION COSTS**
  One time costs associated with the integration and reorganization of VIP Petcare including items such as severance and benefits
- **STOCK COMPENSATION EXPENSE**
  Expenses associated with employee and director equity awards

*Notes:* * See the Appendix of this presentation for a reconciliation of Adjusted G&A to General and administrative expenses, the most comparable GAAP measure

# 2018 QUARTERLY GUIDANCE

| *$ IN MILLIONS* | Q1-18 ACTUAL | Q2-18 ACTUAL | Q3-18 ACTUAL | Q4-18 EST | 2018 GUIDANCE |
|---|---|---|---|---|---|
| NET SALES | $115.1 | $171.1 | $131.4 | ~$97 | ~$515 |
| ADJ EBITDA[1] | $5.6 | $16.0 | $13.4 | $6+ | $40 - $45 |
| ADJ EBITDA MARGIN[2] | 4.9% | 9.4% | 10.2% | 5% - 7% | 8%+ |

*Notes:* [1] In third quarter of 2018, the Company updated definition of sale store sales, which resulted in an year to date change to adjusted EBITDA of approximately 400 thousand. [2] Adj EBITDA Margin defined as Adj EBITDA / GAAP Net Sales

# LONG-TERM OUTLOOK

| | | |
|---|---|---|
| **2018** | Net Sales | ~$515M |
| | Adjusted EBITDA[1] | $40M - $45M |
| **FORWARD YEARS 2019 – 2023** | Net Sales Growth | 15% + |
| | Adjusted EBITDA Growth | 20% + |
| | Adjusted EBITDA Margin | 15% by 2023 |
| | EPS Growth | 25% + |

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

# APPENDIX

# ADJUSTED GROSS PROFIT RECONCILIATION

| *$ IN MILLIONS* | QTD | | YTD | |
|---|---|---|---|---|
| | 9/30/2018 | 9/30/2017 | 9/30/2018 | 9/30/2017 |
| **GROSS PROFIT** | **24,182** | 12,517 | **66,383** | 40,668 |
| **PLUS:** | | | | |
| PURCHASE ACCOUNTING ADJUSTMENT TO INVENTORY | **—** | — | **1,502** | — |
| NON SAME-STORE GROSS PROFIT | **2,218** | — | **3,545** | — |
| CLINIC LAUNCH EXPENSE | **50** | — | **1,261** | — |
| **ADJUSTED GROSS PROFIT** | **26,450** | 12,517 | **72,691** | 40,668 |

# ADJUSTED G&A EXPENSE RECONCILIATION

| $ IN MILLIONS | QTD 9/30/2018 | QTD 9/30/2017 | YTD 9/30/2018 | YTD 9/30/2017 |
|---|---|---|---|---|
| **GENERAL AND ADMINISTRATIVE EXPENSES** | **17,621** | 10,739 | **53,532** | 27,421 |
| **LESS:** | | | | |
| MANAGEMENT FEES | **—** | 158 | **—** | 545 |
| ACQUISITION COSTS | **113** | — | **3,479** | — |
| STOCK BASED COMPENSATION EXPENSE | **1,224** | 246 | **2,678** | 246 |
| INTEGRATION COSTS AND COSTS OF DISCONTINUED CLINICS | **57** | — | **813** | — |
| NON SAME-STORE GENERAL AND ADMINISTRATIVE EXPENSES | **155** | — | **347** | — |
| COSTS ASSOCIATED WITH BECOMING A PUBLIC COMPANY | **—** | 2,275 | **—** | 2,275 |
| **ADJUSTED GENERAL AND ADMINISTRATIVE EXPENSES** | **16,072** | 8,060 | **46,215** | 24,355 |

# ADJUSTED NET INCOME RECONCILIATION

| *$ IN MILLIONS* | QTD 9/30/2018 | QTD 9/30/2017 | YTD 9/30/2018 | YTD 9/30/2017 |
|---|---|---|---|---|
| **NET INCOME** | **3,902** | 859 | **5,343** | 11,208 |
| **PLUS:** | | | | |
| ACQUISITION COSTS | **113** | — | **3,479** | — |
| TAX EXPENSE | **801** | 550 | **754** | 550 |
| STOCK BASED COMPENSATION EXPENSE | **1,224** | 246 | **2,678** | 246 |
| PURCHASE ACCOUNTING ADJUSTMENT TO INVENTORY | **—** | — | **1,502** | — |
| NON SAME-STORE REVENUE | **(1,472)** | — | **(2,775)** | — |
| NON SAME-STORE COSTS | **3,845** | — | **6,667** | — |
| FAIR VALUE ADJUSTMENT OF CONTINGENT NOTE | **(350)** | — | **250** | — |
| INTEGRATION COSTS AND COSTS OF DISCONTINUED CLINICS | **57** | — | **813** | — |
| NEW CLINIC LAUNCH EXPENSES | **50** | — | **1,261** | — |
| NON-RECURRING ROYALTY SETTLEMENT | — | — | 440 | — |
| COSTS ASSOCIATED WITH BECOMING PUBLIC COMPANY | — | 2,275 | — | 2,275 |
| **ADJUSTED NET INCOME** | **8,170** | 3,930 | **20,412** | 14,279 |

# ADJUSTED EBITDA RECONCILIATION

| | QTD | | YTD | |
|---|---|---|---|---|
| *$ IN MILLIONS* | 9/30/2018 | 9/30/2017 | 9/30/2018 | 9/30/2017 |
| **NET INCOME** | **3,902** | 859 | **5,343** | 11,208 |
| **PLUS:** | | | | |
| TAX EXPENSE (BENEFIT) | **801** | 550 | **754** | 550 |
| DEPRECIATION | **1,786** | 684 | **4,816** | 1,795 |
| AMORTIZATION | **1,294** | 261 | **3,691** | 782 |
| INTEREST | **2,159** | 352 | **6,140** | 1,351 |
| **EBITDA** | **9,942** | 2,706 | **20,744** | 15,686 |
| ACQUISITION COSTS | **113** | — | **3,479** | — |
| MANAGEMENT FEES | **—** | 158 | **—** | 545 |
| COSTS ASSOCIATED WITH BECOMING A PUBLIC COMPANY | | 2,275 | | 2,275 |
| STOCK BASED COMPENSATION EXPENSE | **1,224** | 246 | **2,678** | 246 |
| PURCHASE ACCOUNTING ADJUSTMENT TO INVENTORY | **—** | — | **1,502** | — |
| NON SAME-STORE REVENUE | **(1,472)** | — | **(2,775)** | — |
| NON SAME-STORE COSTS | **3,845** | — | **6,667** | — |
| FAIR VALUE ADJUSTMENT OF CONTINGENT NOTE | **(350)** | — | **250** | — |
| INTEGRATION COSTS AND COSTS OF DISCONTINUED CLINICS | **57** | — | **813** | — |
| NEW WELLNESS CENTER LAUNCH EXPENSES | **50** | — | **1,261** | — |
| NON-RECURRING ROYALTY SETTLEMENT | **—** | — | **440** | — |
| **ADJUSTED EBITDA** | **13,409** | 5,385 | **35,059** | 18,752 |

PET IQ™