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

FORM 10-Q

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

For the quarterly period ended March 31, 2024

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

For the transition period from to

Commission File Number: 001-38163

PetIQ, Inc.

(Exact name of registrant as specified in its charter)

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

208-939-8900
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of May 1, 2024, we had 29,520,307 shares of Class A common stock and 231,540 shares of Class B common stock outstanding.

PetIQ, Inc.

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PART I —FINANCIAL INFORMATION

Cautionary Note Regarding Forward-Looking Statements

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

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

Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from any future results, performances, or achievements expressed or implied by the forward-looking statements. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made or management’s good faith belief as of that time with respect to future events and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Important factors that could cause such differences include, but are not limited to, factors discussed under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Quarterly Report on Form 10-Q; general economic or market conditions, including inflation and interest rates; overall consumer spending in our industry; our ability to successfully grow our business through acquisitions and our ability to integrate acquisitions; our dependency on a limited number of customers; our ability to implement our growth strategy effectively; our ability to continue to grow our Services segment; disruptions in our manufacturing, shipping, transportation and distribution chains; competition from veterinarians and others in our industry; reputational damage to our brands; the effectiveness of our marketing and trade promotion programs; recalls or withdrawals of our products or product liability claims; our ability to introduce new products and improve existing products; our failure to protect our intellectual property; costs associated with governmental regulation; our ability to keep and retain key employees; our ability to sustain profitability; cybersecurity risks, including breaches that result in business interruption and data loss; our substantial indebtedness and our ability to raise additional capital as needed; and the risks set forth under the “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2023 and other reports filed from time to time with the Securities and Exchange Commission.

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

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

	March 31, 2024	December 31, 2023
Current assets		
Cash and cash equivalents	$ 25,374	$ 116,369
Accounts receivable, net	191,862	142,511
Inventories	215,383	159,309
Other current assets	12,296	12,645
Total current assets	444,915	430,834
Property, plant and equipment, net	55,297	57,097
Operating lease right of use assets	18,103	19,079
Other non-current assets	2,016	2,083
Intangible assets, net	155,501	159,729
Goodwill	199,404	199,404
Total assets	$ 875,236	$ 868,226
Liabilities and equity		
Current liabilities		
Accounts payable	$ 137,862	$ 139,264
Accrued wages payable	11,525	16,734
Accrued interest payable	7,805	6,636
Other accrued expenses	12,072	10,692
Current portion of operating leases	6,672	7,608
Current portion of long-term debt and finance leases	8,062	8,595
Total current liabilities	183,998	189,529
Operating leases, less current installments	12,793	13,763
Long-term debt, less current installments	436,423	437,820
Finance leases, less current installments	572	516
Other non-current liabilities	3,600	3,600
Total non-current liabilities	453,388	455,699
Equity		
Additional paid-in capital	387,239	387,349
Class A common stock, par value $0.001 per share, 125,000 shares authorized; 29,827 and 29,570 shares issued, respectively	29	29
Class B common stock, par value $0.001 per share, 8,402 shares authorized; 231 and 231 shares issued and outstanding, respectively	—	—
Class A treasury stock, at cost, 373 and 373 shares respectively	(3,857)	(3,857)
Accumulated deficit	(145,695)	(160,602)
Accumulated other comprehensive loss	(1,790)	(1,706)
Total stockholders' equity	235,926	221,213
Non-controlling interest	1,924	1,785
Total equity	237,850	222,998
Total liabilities and equity	$ 875,236	$ 868,226

See accompanying notes to the condensed consolidated financial statements.

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

	For the Three Months Ended	
	March 31, 2024	**March 31, 2023**
Product sales	$ 276,891	$ 258,993
Services sales	31,552	31,478
Total net sales	308,443	290,471
Cost of products sold	209,063	200,902
Cost of services	24,837	27,308
Total cost of sales	233,900	228,210
Gross profit	74,543	62,261
Operating expenses		
Selling, general and administrative expenses	50,209	43,326
Operating income	24,334	18,935
Interest expense, net	9,106	8,732
Other income, net	(126)	(26)
Total other expense, net	8,980	8,706
Pretax net income	15,354	10,229
Income tax expense	(327)	(448)
Net income	15,027	9,781
Net income attributable to non-controlling interest	120	82
Net income attributable to PetIQ, Inc.	$ 14,907	$ 9,699
Net income per share attributable to PetIQ, Inc. Class A common stock		
Basic	$ 0.51	$ 0.33
Diluted	$ 0.48	$ 0.32
Weighted Average shares of Class A common stock outstanding		
Basic	29,283	29,125
Diluted	34,781	35,230

See accompanying notes to the condensed consolidated financial statements.

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

	For the Three Months Ended	
	March 31, 2024	March 31, 2023
Net income	$ 15,027	$ 9,781
Foreign currency translation adjustment	(85)	(51)
Comprehensive income	14,942	9,730
Comprehensive income attributable to non-controlling interest	119	82
Comprehensive income attributable to PetIQ, Inc.	$ 14,823	$ 9,648

See accompanying notes to the condensed consolidated financial statements.

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

	For the Three Months Ended March 31,	
	2024	**2023**
Cash flows from operating activities		
Net income	$ 15,027	$ 9,781
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation and amortization of intangible assets and loan fees	8,364	8,463
Gain on disposition of property, plant, and equipment	(220)	—
Stock based compensation expense	2,609	2,466
Other non-cash activity	(20)	(52)
Changes in assets and liabilities, net of business acquisition		
Accounts receivable	(49,088)	(84,250)
Inventories	(56,262)	(13,567)
Other assets	(392)	(2,065)
Accounts payable	(1,727)	36,019
Accrued wages payable	(5,209)	(1,988)
Other accrued expenses	1,774	1,866
Net cash used in operating activities	(85,144)	(43,327)
Cash flows from investing activities		
Proceeds from disposition of property, plant, and equipment	728	—
Purchase of property, plant, and equipment	(1,550)	(1,910)
Business acquisitions (net of cash acquired)	—	(27,634)
Net cash used in investing activities	(822)	(29,544)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	10,000	15,000
Principal payments on long-term debt	(11,900)	(16,900)
Principal payments on finance lease obligations	(475)	(346)
Tax withholding payments on Restricted Stock Units	(2,699)	(840)
Net cash used in financing activities	(5,074)	(3,086)
Net change in cash and cash equivalents	(91,040)	(75,957)
Effect of exchange rate changes on cash and cash equivalents	45	102
Cash and cash equivalents, beginning of period	116,369	101,265
Cash and cash equivalents, end of period	$ 25,374	$ 25,410

See accompanying notes to the condensed consolidated financial statements.

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

	For the Three Months Ended March 31,	
Supplemental cash flow information	2024	2023
Interest paid, net	$ 7,268	$ 6,808
Net change in property, plant, and equipment acquired through accounts payable	(31)	(34)
Finance lease additions	25	—
Income taxes paid, net of refunds	18	3

See accompanying notes to the condensed consolidated financial statements.

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

Three months ended March 31, 2024

	Accumulated Deficit	Accumulated Other Comprehensive Loss	Class A Common		Class A Treasury Stock		Class B Common		Additional Paid-in Capital	Non-controlling Interest	Total Equity
			Shares	Dollars	Shares	Dollars	Shares	Dollars			
Balance - January 1, 2024	$ (160,602)	$ (1,706)	29,570	$ 29	373	$ (3,857)	231	$ —	$ 387,349	$ 1,785	$ 222,998
Other comprehensive income	—	(84)	—	—	—	—	—	—	—	(1)	(85)
Stock based compensation expense	—	—	—	—	—	—	—	—	2,589	20	2,609
Issuance of stock vesting of RSU's, net of tax withholdings	—	—	257	—	—	—	—	—	(2,699)	—	(2,699)
Net income	14,907	—	—	—	—	—	—	—	—	120	15,027
Balance - March 31, 2024	$ (145,695)	$ (1,790)	29,827	$ 29	373	$ (3,857)	231	$ —	$ 387,239	$ 1,924	$ 237,850

Three months ended March 31, 2023

	Accumulated Deficit	Accumulated Other Comprehensive Loss	Class A Common		Class A Treasury Stock		Class B Common		Additional Paid-in Capital	Non-controlling Interest	Total Equity
			Shares	Dollars	Shares	Dollars	Shares	Dollars			
Balance - January 1, 2023	$ (162,733)	$ (2,224)	29,348	$ 29	373	$ (3,857)	252	$ —	$ 378,709	$ 1,869	$ 211,793
Exchange of LLC Interests held by LLC Owners	—	—	8	—	—	—	(8)	—	115	(115)	—
Other comprehensive income	—	(51)	—	—	—	—	—	—	—	—	(51)
Stock based compensation expense	—	—	—	—	—	—	—	—	2,445	21	2,466
Issuance of stock vesting of RSU's, net of tax withholdings	—	—	143	—	—	—	—	—	(840)	—	(840)
Net income	9,699	—	—	—	—	—	—	—	—	82	9,781
Balance - March 31, 2023	$ (153,034)	$ (2,275)	29,499	$ 29	373	$ (3,857)	244	$ —	$ 380,429	$ 1,857	$ 223,149

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

See accompanying notes to the condensed consolidated financial statements.

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

Note 1 — Principal Business Activity and Significant Accounting Policies

Principal Business Activity and Principles of Consolidation

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

The Products segment consists of our product manufacturing and distribution business through which we manufacture and distribute pet medication and health and wellness products to major U.S. retail and e-commerce channels through more than 60,000 points of distribution. The Company focuses its offerings on innovative, proprietary value-branded products, and leading third-party branded products for dogs and cats, including pet Rx medications, OTC medications and wellness products. The Products segment is further supported by its world-class medications manufacturing facility in Omaha, Nebraska and health and wellness manufacturing facility in Springville, Utah.
The Services segment consists of veterinary services, and related product sales, provided by the Company directly to consumers. The Company's national veterinarian service platform operates at over 2,600 community clinic locations and wellness centers hosted at retailers across 39 states providing cost effective and convenient veterinary wellness services. PetIQ offers diagnostic tests, vaccinations, prescription medications, microchipping, grooming and hygiene and wellness checks.

PetIQ is the managing member of PetIQ Holdings, LLC (“HoldCo”), a Delaware limited liability company, which is the sole member of PetIQ, LLC (“Opco”) and, through HoldCo, operate and control all the business and affairs of Opco. PetIQ and HoldCo are holding companies with no other operations, cash flows, material assets or liabilities other than the equity interests in Opco.

The condensed consolidated financial statements as of March 31, 2024 and December 31, 2023 and for the three months ended March 31, 2024 and 2023 are unaudited. The condensed consolidated balance sheet as of December 31, 2023 has been derived from the audited financial statements at that date but does not include all of the disclosures required by U.S. GAAP. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements as of and for the year ended December 31, 2023 and related notes thereto included in the most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on February 29, 2024 (the "Annual Report"). Operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year.

Use of Estimates

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

Significant Accounting Policies

The Company's significant accounting policies are discussed in Note 1 – Principal Business Activity and Significant Accounting Policies in the Annual Report. There have been no significant changes to these policies that have had a material impact on the Company's unaudited condensed financial statements and related notes during the three months ended March 31, 2024.

Assets and Liabilities Held for Sale

During the fourth quarter of 2023, the Company committed to a plan to sell its foreign subsidiary within the Products segment, Mark & Chappell ("M&C"), and initiated the required actions to complete such a sale. Based on the applicable requirements, the Company concluded that the M&C business met the held for sale criteria as of December 31, 2023. As such, the assets and liabilities of M&C are classified as held for sale and presented as $3.6 million of assets within Other current assets and $1.1 million of liabilities within Other accrued expenses in our Condensed Consolidated Balance Sheets as of March 31, 2024. In connection with the expected sale of the business and classification of related assets and liabilities as held for sale, the Company recorded asset charges of $7.7 million during the year ended December 31, 2023, which were included on its Consolidated Statements of Operations within Impairment and other asset charges. The sale of M&C closed during the second quarter of 2024, for additional information see Note 12 — Subsequent Events.

Note 2 — Debt

Senior Secured Asset-Based Revolving Credit Facility

On April 13, 2021, Opco entered into an asset-based revolving credit agreement with KeyBank National Association, as administrative agent and collateral agent, and the lenders' party thereto, that provides revolving credit commitments of $125.0 million, subject to a borrowing base limitation (the "ABL Facility"). The borrowing base for the ABL Facility at any time equals the sum of: (i) 90% of eligible investment-grade accounts; plus (ii) 85% of eligible other accounts; plus, (iii) 85% of the net orderly liquidation value of the cost of certain eligible on-hand and in-transit inventory; plus, (iv) at the option of Opco, 100% of qualified cash; minus (v) reserves. The ABL Facility bears interest at a variable rate plus a margin, with the variable rate being based on a base rate or Secured Overnight Financing Rate, ("SOFR") at the option of the Company. The rate at March 31, 2024 was 6.58%. The Company also pays a commitment fee on unused borrowings at a rate of 0.35%.

The ABL Facility is secured by substantially all the assets of HoldCo and its wholly-owned domestic subsidiaries including a first-priority security interest in personal property consisting of accounts receivable, inventory, cash, and deposit accounts (such collateral subject to first-priority security interest, "ABL Priority Collateral"), and a second-priority security interest in all other personal and real property of HoldCo and its wholly-owned domestic subsidiaries (such collateral subject to such second-priority security interest, "Term Priority Collateral"), in each case, subject to customary exceptions. The ABL contains customary representations and warranties, affirmative and negative covenants and events of default, including negative covenants that restrict the ability of HoldCo and its restricted subsidiaries to incur additional indebtedness, pay dividends, make investments, loans, and acquisitions, among other restrictions. As of March 31, 2024, no amounts were outstanding under the ABL.

Senior Secured Term Loan Facility - Term Loan B

On April 13, 2021, Opco entered into a term credit agreement with Jefferies Finance LLC, as administrative agent and collateral agent, and the lenders' party thereto, that provides senior secured term loans of $300.0 million (the "Term Loan B"). The Term Loan B bears interest at a variable rate (with the variable rate being based on a base rate or SOFR at the option of the Company) plus a margin of 3.25% in the case of base rate loans, or 4.25% in the case of SOFR loans. SOFR rates are subject to a 0.50% floor. The interest rate at March 31, 2024 was 10.17%. The Term Loan B requires quarterly amortization payments of 0.25% of the original principal amount, with the balance due on the seventh anniversary of the closing date.

The Term Loan B is secured by substantially all the assets of HoldCo and its wholly-owned domestic subsidiaries, including a first-priority security interest in Term Priority Collateral and a second-priority security interest in ABL Priority Collateral, in each case, subject to customary exceptions. The Term Loan B contains customary representations and warranties, affirmative and negative covenants and events of default, including negative covenants that restrict the ability of HoldCo and its restricted subsidiaries to incur additional indebtedness, pay dividends, make investments, loans, and acquisitions, among other restrictions.

Convertible Notes

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

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

$'s in 000's	**March 31, 2024**	**December 31, 2023**
Convertible notes	$ 143,750	$ 143,750
Term loans	291,750	292,500
Revolving credit facility	—	—
Other debt	14,503	15,564
Net discount on debt and deferred financing fees	(6,101)	(6,587)
	$ 443,902	$ 445,227
Less current maturities of long-term debt	(7,479)	(7,407)
Total long-term debt	$ 436,423	$ 437,820

Future maturities of long-term debt, excluding the net discount on debt and deferred financing fees, as of March 31, 2024, are as follows:

($'s in 000's)	
Remainder of 2024	$ 5,579
2025	4,600
2026	147,324
2027	3,600
2028	281,100
Thereafter	7,800

Note 3 — Intangible Assets and Goodwill

Goodwill and non-amortizable intangible assets

Intangible assets consist of the following at:

$'s in 000's	Useful Lives	March 31, 2024	December 31, 2023
Amortizable intangibles			
Certification	7 years	$ 350	$ 350
Customer relationships	12-20 years	159,291	159,291
Patents and processes	5-10 years	12,855	12,855
Brand names	5-15 years	30,906	30,906
Total amortizable intangibles		203,402	203,402
Less accumulated amortization		(81,140)	(76,912)
Total net amortizable intangibles		122,262	126,490
Non-amortizable intangibles			
Trademarks and other		33,239	33,239
In-process research and development		—	—
Intangible assets, net of accumulated amortization		$ 155,501	$ 159,729

Certain intangible assets are denominated in currencies other than the U.S. Dollar; therefore, their gross and net carrying values are subject to foreign currency movements. Amortization expense for the three months ended March 31, 2024, and 2023 was $4.3 million and $4.3 million, respectively.

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

Years ending December 31, ($'s in 000's)	
Remainder of 2024	$ 11,646
2025	14,899
2026	14,303
2027	13,640
2028	12,295
Thereafter	55,479

The following is a summary of the changes in the carrying value of goodwill for the period from January 1, 2023 to March 31, 2024:

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

Note 4 — Income Tax

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

Our effective tax rate from continuing operations was 2.1% and 4.4% for the three months ended March 31, 2024 and 2023, respectively, including discrete items. Income tax expense for the three months ended March 31, 2024 and 2023 was different than the U.S federal statutory income tax rate of 21% primarily due to the effects of the change in valuation allowance, state taxes, and the foreign rate differential.

The Company has assessed the realizability of the net deferred tax assets as of March 31, 2024 and in that analysis has considered the relevant positive and negative evidence available to determine whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. The realization of the gross deferred tax assets is dependent on several factors, including the generation of sufficient taxable income to realize its deferred tax assets. The Company believes it is more likely than not that the benefit from recorded deferred tax assets will not be realized.

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

Note 5 — Earnings per Share

Basic and Diluted Earnings per Share

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

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

	Three months ended March 31,			
(in 000's, except for per share amounts)	**2024**		**2023**	
Numerator:				
Net income	$	15,027	$	9,781
Less: net income attributable to non-controlling interests		120		82
Net income attributable to PetIQ, Inc. — basic		14,907		9,699
Plus: interest expense on Convertible Notes		1,688		1,676
Net income attributable to PetIQ, Inc. — diluted	$	16,595	$	11,375
Denominator[(1)]:				
Weighted-average shares of Class A common stock outstanding — basic		29,283		29,125
Dilutive effect of share-based compensation awards[(2)]		650		45
Dilutive effect of conversion of Notes[(3)]		4,848		6,060
Weighted-average shares of Class A common stock outstanding — diluted		34,781		35,230
Earnings per share of Class A common stock — basic	$	0.51	$	0.33
Earnings per share of Class A common stock — diluted	$	0.48	$	0.32

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

(2) For the three months ended March 31, 2024, 1,269 thousand of outstanding share-based compensation awards were excluded from the computation of diluted earnings per share, as the effect of including those shares would be anti-dilutive. For the three months ended March 31, 2023, 2,339 thousand of outstanding share-based compensation awards were excluded from the computation of diluted earnings per share, as the effect of including those shares would be anti-dilutive.

(3) The dilutive impact of the Notes has been included in the dilutive earnings per share calculation for the three months ended March 31, 2024 and March 31, 2023.

Note 6 — Stock Based Compensation

Stock Options

The fair value of these equity awards is amortized to equity based compensation expense over the vesting period, which totaled $0.3 million and $0.3 million for the three months ended March 31, 2024 and 2023, respectively. All stock based compensation expense is included in selling, general and administrative expenses based on the role of recipients. No options were issued during the three months ended March 31, 2024.

Restricted Stock Units

The Company awards RSUs to certain employees under the Plan, which are subject to time-based vesting conditions. Upon a termination of service relationship by the Company, all unvested RSUs will generally be forfeited and the shares of common stock underlying such awards will become available for issuance under the Plan. The fair value of RSUs are measured based on the closing fair market value of the Company’s common stock on the date of grant. At March 31, 2024, total unrecognized compensation cost related to unvested RSUs was $28.0 million and is expected to vest over a weighted average of 3.1 years.

The fair value of these equity awards is amortized to equity based compensation expense over the vesting period, which totaled $2.3 million for the three months ended March 31, 2024, and $1.4 million for the three months ended March 31, 2023, respectively. All stock based compensation expense is included in selling, general and administrative expenses based on the role of recipients.

The following table summarizes the activity of the Company’s RSUs for the period ended March 31, 2024.

	Number of Shares (in 000's)	**Weighted Average Grant Date Fair Value**
Outstanding at January 1, 2023	853	$ 23.06
Granted	1,313	12.02
Settled	(234)	22.72
Forfeited and cancelled	(244)	16.18
Outstanding at December 31, 2023	1,688	$ 15.26
Granted	675	17.37
Settled	(410)	16.13
Forfeited and canceled	(39)	16.58
Nonvested RSUs at March 31, 2024	1,914	$ 15.79

Note 7 — Non-Controlling Interests

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

	LLC Interests held			% of Total	
$'s in 000's	LLC Owners	PetIQ, Inc.	Total	LLC Owners	PetIQ, Inc.
As of January 1, 2023	252	28,974	29,226	0.9 %	99.1 %
Stock based compensation transactions	—	201	201		
Exchange transactions	(21)	21	—		
As of December 31, 2023	231	29,196	29,427	0.8 %	99.2 %
Stock based compensation transactions	—	257	257		
As of March 31, 2024	231	29,453	29,684	0.8 %	99.2 %

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

For the three months ended March 31, 2024 and 2023 the Company owned a weighted average of 99.2% of HoldCo.

Note 8 — Commitments and Contingencies

Litigation Contingencies

The Company records a liability for a particular contingency when the Company determines the contingency is probable and estimable. The Company had $0.3 million and $0 accrued for litigation related matters as of March 31, 2024 and December 31, 2023, respectively. The Company includes any related expenses within selling, general and administrative expenses.

During the three months ended March 31, 2024, the Company recorded $0.3 million of expense associated with the settlement of a lawsuit brought against the Company.

Commitments

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

Note 9 — Segments

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

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

$'s in 000's **March 31, 2024**		**Products**		**Services**
Net sales	$	276,891	$	31,552
Segment Adjusted EBITDA		34,605		906
Depreciation expense		2,224		1,218

$'s in 000's **March 31, 2023**		**Products**		**Services**
Net sales	$	258,993	$	31,478
Segment Adjusted EBITDA		32,196		850
Depreciation expense		1,816		1,705

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

	Three Months Ended			
$'s in 000's		**March 31, 2024**		**March 31, 2023**
Segment Adjusted EBITDA:				
Product	$	34,605	$	32,196
Services		906		850
Total		35,511		33,046
Adjustments:				
Depreciation		(3,442)		(3,521)
Amortization		(4,252)		(4,262)
Interest expense, net		(9,106)		(8,732)
Acquisition costs[1]		—		(538)
Stock based compensation expense		(2,609)		(2,466)
Non same-store adjustment[2]		(246)		(2,322)
Integration and business transformation costs[3]		(502)		(976)
Pretax net income	$	15,354	$	10,229
Income tax expense		(327)		(448)
Net income	$	15,027	$	9,781

[1] Acquisition costs include legal, accounting, banking, consulting, diligence, and other costs related to completed and contemplated acquisitions.

[2] Non same-store adjustment includes sales and costs, and associated gross profit, related to our Services segment wellness centers with less than six full quarters of operating results, and also include pre-opening expenses.

[3] Integration and business transformation costs, including personnel costs such as severance and retention bonuses, consulting costs, contract termination costs and IT and ERP implementation costs.

Supplemental geographic disclosures are below.

$'s in 000's	Three Months Ended March 31, 2024 U.S.	Foreign	Total
Product sales	$ 275,736	$ 1,155	$ 276,891
Services sales	31,552	—	31,552
Total net sales	$ 307,288	$ 1,155	$ 308,443

$'s in 000's	Three Months Ended March 31, 2023 U.S.	Foreign	Total
Product sales	$ 257,977	$ 1,016	$ 258,993
Services sales	31,478	—	31,478
Total net sales	$ 289,455	$ 1,016	$ 290,471

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

	March 31, 2024	December 31, 2023
United States	$ 55,297	$ 57,097
Europe	—	—
Total	$ 55,297	$ 57,097

Note 10 — Restructuring

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

As a result of the optimization, the Company identified 149 underperforming wellness centers for closure. The Company closed 149 wellness centers during the year ended December 31, 2023 and as of March 31, 2024 continues to operate 133 wellness centers.

Closure of the wellness centers required the Company to terminate leases early. The Company agreed upon termination amounts with retail partners in 2023 and made cash payments to partially settle remaining outstanding liability during the three months ended March 31, 2024.

There were no restructuring expenses for the three months ended March 31, 2024.

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

$'s in 000's	Liability at December 31, 2023	Expenses	Cash Payments	Non-Cash Amounts	Liability at March 31, 2024
Lease termination	$ 1,825	$ —	$ (909)	$ —	$ 916
Variable lease expenses	1,010	—	(1,010)	—	—
Total Outstanding Restructuring Liability	$ 2,835	$ —	$ (1,919)	$ —	$ 916

Note 11 — Related Parties

Chris Christensen, the brother of CEO, McCord Christensen, acts as the Company's agent at Moreton Insurance ("Morton"), which acts as a broker for a number of the Company's insurance policies which renew at various dates throughout the year. Total annual policy premiums for policies in place at March 31, 2024 and 2023 was $7.2 million and $6.9 million, respectively. Mr. Chris Christensen earns various forms of compensation based on the specifics of each policy.

Katie Turner, the spouse of CEO, McCord Christensen, is the owner of Acadia Investor Relations LLC, ("Acadia") which acts as the Company's investor relations consultant. Acadia was paid $0.06 million and $0.06 million for the three months ended March 31, 2024 and 2023, respectively.

Michael Glasman, the brother of CFO, Zvi Glasman, acted as a broker in connection with the Company's entry into a Master Services Agreement with Syndeo, LLC d/b/a Broadvoice ("Broadvoice") in February 2023 for the provision of certain information technology related services. The amount to be paid to Broadvoice over the 39-month agreement is estimated at $0.4 million. $0.03 million and $0 was paid to Broadvoice for the three months ended March 31, 2024 and 2023, respectively. Mr. Michael Glasman earns various fees based on the services provided by Broadvoice

On April 30, 2024, the Company completed the sale of it's foreign subsidiary M&C, to an entity affiliated with Kieran Carolan, the current general manager of M&C. See Note 12 — Subsequent Events for more details.

Note 12 — Subsequent Events

On April 30, 2024, the Company sold its foreign subsidiary within the Products segment, M&C, for approximately $4.0 million in net cash proceeds and the Company will receive future royalties for certain licensed trademarks and related intellectual property. The Company will recognize approximately a $1.7 million loss, subject to normal working capital adjustments, in the second quarter of 2024.

As of March 31, 2024, M&C was classified as held for sale in the condensed consolidated balance sheet. For additional information, see Note 1 — Principal Business Activity and Significant Accounting Policies.

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

The following is a discussion of our results of operations and current financial condition. This should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements for the year ended December 31, 2023 and related notes included in the Annual Report on Form 10-K for the year ended December 31 filed with the Securities and Exchange Commission (the "SEC") on February 29, 2024. This discussion contains forward-looking statements that reflect our plans, estimates, and beliefs and involve numerous risks and uncertainties. Actual results may differ materially from those contained in any forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements." Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to "we," "us" and "our" refer to PetIQ, Inc. and our consolidated subsidiaries.

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

Business Overview

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

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

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

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

Results of Operations

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

	For the Three Months Ended		% of Net Sales for the three months ended	
$'s in 000's	**March 31, 2024**	**March 31, 2023**	**March 31, 2024**	**March 31, 2023**
Product sales	$ 276,891	$ 258,993	89.8%	89.2%
Services sales	31,552	31,478	10.2%	10.8%
Total net sales	308,443	290,471	100.0%	100.0%
Cost of products sold	209,063	200,902	67.8%	69.2%
Cost of services	24,837	27,308	8.1%	9.4%
Total cost of sales	233,900	228,210	75.8%	78.6%
Gross profit	74,543	62,261	24.2%	21.4%
Selling, general and administrative expenses	50,209	43,326	16.3%	14.9%
Operating income	24,334	18,935	7.9%	6.5%
Interest expense, net	9,106	8,732	3.0%	3.0%
Other income, net	(126)	(26)	—%	—%
Total other expense, net	8,980	8,706	2.9%	3.0%
Pretax net income	15,354	10,229	5.0%	3.5%
Income tax expense	(327)	(448)	(0.1)%	(0.2)%
Net income	$ 15,027	$ 9,781	4.9%	3.4%

Three Months Ended March 31, 2024 Compared With Three Months Ended March 31, 2023

Net sales

Consolidated Net Sales

Consolidated net sales increased $17.9 million, or 6.2%, to $308.4 million for the three months ended March 31, 2024, compared to $290.5 million for the three months ended March 31, 2023. The growth in consolidated net sales was driven primarily by an increase in sales from the Products segment.

Products Segment

Products segment sales increased $17.9 million, or 6.9%, to $276.9 million for the three months ended March 31, 2024, compared to $259.0 million for the three months ended March 31, 2023. The increase in Product segment sales was a result of growth in sales of the Company's manufactured products reflecting strong consumer demand in the prescription medication, flea and tick, and health and wellness categories.

Services Segment

Services segment sales increased $0.1 million, or 0.2%, to $31.6 million for the three months ended March 31, 2024, compared to $31.5 million for the three months ended March 31, 2023. The increase in Services segment sales reflects growth in mobile community clinic sales, partially offset by the closure of 149 wellness centers in the second half of 2023.

Gross profit

Gross profit for the three months ended March 31, 2024 was $74.5 million, an increase of 19.7%, compared to $62.3 million for the three months ended March 31, 2023. Gross margin increased 280 basis points to 24.2% for the three months ended March 31, 2024 compared to 21.4% for the three months ended March 31, 2023 primarily as a result of favorable product and channel mix, operational efficiencies in the Company's facilities and from the Services segment optimization.

Selling, general and administrative expenses

Consolidated selling, general and administrative expenses (“SG&A”) increased $6.9 million, or 15.9%, to $50.2 million for the three months ended March 31, 2024, compared to $43.3 million for the three months ended March 31, 2023. The $6.9 million increase was due to planned higher marketing expense to support the growth of the Company's manufactured products and increased compensation expense. As a percentage of net sales, SG&A increased from 14.9% for the three months ended March 31, 2023 to 16.3% for the three months ended March 31, 2024 primarily as a result of the aforementioned increase in marketing expense.

Products Segment

Products segment SG&A increased $7.2 million, or approximately 20.5%, to $42.2 million for the three months ended March 31, 2024, compared to $35.0 million, for the three months ended March 31, 2023. This increase was primarily due to additional marketing and advertising costs to support the Company's manufactured brands.

Services Segment

Services segment SG&A decreased $0.3 million, or 3.4%, to $8.0 million, for the three months ended March 31, 2024, compared to $8.3 million, for the three months ended March 31, 2023.

Interest expense, net

Interest expense, net, increased $0.4 million to $9.1 million for the three months ended March 31, 2024, compared to $8.7 million for the three months ended March 31, 2023. This was due to an increase in the Company's variable rate debt due to higher interest rates, partially offset by lower debt balances and interest earned on the Company's cash and cash equivalents.

Provision for income taxes

Our effective tax rate was 2.1% and 4.4% for the three months ended March 31, 2024 and 2023, respectively, with a tax expense of $0.3 million and $0.4 million, respectively. The tax rate is different than the U.S federal statutory income tax rate of 21% primarily due to the effects of the change in valuation allowance, state taxes, and the foreign rate differential.

Consolidated Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA are non-GAAP financial measures. We calculate EBITDA as net income adjusted for income tax expense, depreciation, amortization, and interest expense, net. We calculate Adjusted EBITDA as EBITDA adjusted for acquisition costs, stock-based compensation expense, integration and business transformation, and other one-time transactions that management does not believe are representative of our core ongoing business. Adjusted EBITDA is utilized by management in evaluating the Company's performance and the effectiveness of our business strategies. The Company presents EBITDA because it is a necessary component for computing Adjusted EBITDA.

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

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

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

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

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

	For the Three Months Ended	
$'s in 000's	**March 31, 2024**	**March 31, 2023**
Net income	$ 15,027	$ 9,781
Plus:		
Tax expense	327	448
Depreciation	3,442	3,521
Amortization	4,252	4,261
Interest expense, net	9,106	8,732
EBITDA	$ 32,154	$ 26,743
Acquisition costs[1]	—	538
Stock based compensation expense	2,609	2,466
Integration and business transformation costs[2]	502	976
Adjusted EBITDA	$ 35,265	$ 30,722

[1] Acquisition costs include legal, accounting, banking, consulting, diligence, and other costs related to completed and contemplated acquisitions.

[2] Integration and business transformation costs, including personnel costs such as severance and retention bonuses, consulting costs, contract termination costs and IT and ERP implementation costs.

Financial Condition, Liquidity, and Capital Resources

Historically, our primary sources of liquidity have been cash flows from operations, borrowings, and equity financing. As of March 31, 2024 and December 31, 2023, our cash and cash equivalents were $25.4 million and $116.4 million, respectively. As of March 31, 2024, we had an unused revolving credit facility with availability of $125.0 million, $291.8 million outstanding under our term loan, $143.8 million of outstanding convertible notes, and $14.5 million in other debt. Our debt agreements bear interest at rates between 4.00% and 10.17%. See “Note 2 — Debt” to our condensed consolidated financial statements included herein for a description of each of our debt arrangements.

Our primary cash needs are for working capital. Our maintenance capital expenditures have typically been less than 1.0% of net sales, but we may make additional capital expenditures as necessary to support our growth. Our primary working capital requirements are to fund inventory and accounts receivable to support our sales. Fluctuations in working capital are primarily driven by the timing of new product launches and seasonal retailer demand. As of March 31, 2024 and December 31, 2023, we had working capital (current assets less current liabilities) of $260.9 million and $241.3 million, respectively.

We believe that our operating cash flow, cash on hand, and debt proceeds from our borrowings under our debt facilities will be adequate to meet our operating, investing, and financing needs for at least the next 12 months. We believe we will meet our longer-term expected future cash requirements primarily from a combination of cash flow from operating activities, borrowings under our debt facilities and available cash and cash equivalents. To the extent additional funds are necessary to meet long-term liquidity needs as we continue to execute our business strategy, we anticipate that they will be obtained through the incurrence of additional indebtedness, equity financings, or a combination of these potential sources of funds, although we can provide no assurance that these sources of funding will be available on reasonable terms or at all. As in the past, we will continue to explore opportunities to optimize our capital structure.

Cash Flows

Cash used in Operating Activities

Net cash used in operating activities was $85.1 million for the three months ended March 31, 2024, compared to $43.3 million used in operating activities for the three months ended March 31, 2023. The change in operating cash flows primarily reflects higher profitability offset by increased cash used in working capital of $46.9 million. Working capital changes are driven primarily by growth in accounts receivable, which is related to higher sales, and growth in inventory. Additionally in 2023 the Company benefited from improved vendor terms allowing for cash provided by accounts payable, with no comparable event in 2024.

Cash used in Investing Activities

Net cash used in investing activities was $0.8 million for the three months ended March 31, 2024, compared to $29.5 million for the three months ended March 31, 2023. The decrease in net cash used in investing activities was primarily the result of $27.6 million of cash utilized in the acquisition of Rocco & Roxie in 2023 which had no comparable event.

Cash used in Financing Activities

Net cash used in financing activities was $5.1 million for the three months ended March 31, 2024, compared to $3.1 million for the three months ended March 31, 2023. The change in cash used in financing activities is primarily driven by tax withholding payments for restricted stock units.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

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

Interest Rate Risk

We are exposed to changes in interest rates because the indebtedness incurred under our ABL and our Term Loan B are variable rate debt. Interest rate changes generally do not affect the recorded value of our credit agreements but do affect the amount of our interest payments and, therefore, our future earnings and cash flows. As of March 31, 2024, we had variable rate debt of approximately $291.8 million, primarily under our Revolver and Term Loan. An increase of 1% would have increased our interest expense for the three months ended March 31, 2024 by approximately $0.7 million.

Inflation

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

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

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

Changes in Internal Control over Financial Reporting

There was no other change in our internal control over financial reporting that occurred during our fiscal quarter ended March 31, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

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

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

Item 1A. Risk Factors.

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

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Trading Plans

During the three months ended March 31, 2024, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as such term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits.

3.1	Second Amended and Restated Certificate of Incorporation of PetIQ, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 23, 2022).
3.2	Amended and Restated Bylaws of PetIQ, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 31, 2022).
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
104*	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.)

* Filed herewith

** Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	PETIQ, INC.
May 9, 2024	/s/ Zvi Glasman
	Zvi Glasman
	Chief Financial Officer (Duly Authorized Officer and Principal Financial Officer)

Exhibit 31.1

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

I, McCord Christensen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PetIQ, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting

Date: May 9, 2024

/s/ McCord Christensen

McCord Christensen
Chief Executive Officer

Exhibit 31.2

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

I, Zvi Glasman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of PetIQ, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2024

/s/ Zvi Glasman

Zvi Glasman
Chief Financial Officer

Exhibit 32.1

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

In connection with the quarterly report on Form 10-Q of PetIQ, Inc. (the “Company”) for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, McCord Christensen, Chief Executive Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

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

/s/ McCord Christensen

McCord Christensen
Chief Executive Officer

Date: May 9, 2024

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

Exhibit 32.2

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

In connection with the quarterly report on Form 10-Q of PetIQ, Inc. (the “Company”) for the period ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Zvi Glasman, Chief Financial Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

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

/s/ Zvi Glasman

Zvi Glasman
Chief Financial Officer

Date: May 9, 2024

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